中國山東高速金融集團有限公司
CHINA SHANDONG HI-SPEED FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00412

Annual Report
2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	**Executive Director and Chairman** Mr. Wang Xiaodong **Executive Director and Vice-Chairman** Mr. Liu Han **Executive Directors** Mr. Liu Honghui Mr. Liu Zhijie Mr. Liu Yao **Non-Executive Directors** Mr. Liang Zhanhai Mr. Chen Di Mr. Gao Guicheng **Independent Non-Executive Directors** Mr. Guan Huanfei Mr. Chan Wai Hei Mr. Tan Yuexin Mr. Jonathan Jun Yan
AUDIT COMMITTEE	Mr. Chan Wai Hei *(Chairman)* Mr. Chen Di Mr. Gao Guicheng Mr. Tan Yuexin Mr. Jonathan Jun Yan
REMUNERATION COMMITTEE	Mr. Guan Huanfei *(Chairman)* Mr. Liu Honghui Mr. Liu Zhijie Mr. Chan Wai Hei Mr. Tan Yuexin

CORPORATE INFORMATION

NOMINATION COMMITTEE	Mr. Wang Xiaodong *(Chairman)* Mr. Chen Di Mr. Chan Wai Hei Mr. Tan Yuexin Mr. Jonathan Jun Yan
EXECUTIVE COMMITTEE	Mr. Wang Xiaodong *(Chairman)* Mr. Liu Han *(Vice-Chairman)* Mr. Liu Honghui Mr. Sun Qingwei Mr. Liu Zhijie Mr. Liu Yao
JOINT COMPANY SECRETARIES	Mr. Yu Qin Ms. Lam Katrina Lai Kuen
AUTHORISED REPRESENTATIVES	Mr. Liu Yao Ms. Lam Katrina Lai Kuen
REGISTERED OFFICE	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	17th Floor Agricultural Bank of China Tower No. 50 Connaught Road Central Hong Kong
STOCK CODE	412
AUDITORS	Crowe (HK) CPA Limited 9/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong

CORPORATE INFORMATION

LEGAL ADVISERS	*Hong Kong law:* Li & Partners 22/F, World-Wide House Central Hong Kong *Bermuda law:* Conyers Dill & Pearman 29/F, One Exchange Square 8 Connaught Place Central Hong Kong
PRINCIPAL BANKERS	Bank of China (Hong Kong) Limited Bank of China Tower No. 1 Garden Road Central Hong Kong Industrial and Commercial Bank of China (Macau) Limited 18/F, ICBC Tower Macau Landmark 555 Avenida da Amizade Macau
PRINCIPAL SHARE REGISTRAR IN BERMUDA	MUFG Fund Services (Bermuda) Limited 4th Floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
BRANCH SHARE REGISTRAR IN HONG KONG	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
WEBSITE	www.csfg.com.hk

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Shandong Hi-Speed Financial Group Limited (the "Company"), I hereby present the audited consolidated results (the "consolidated financial statements") of the Company and its subsidiaries (collectively the "Group" or "CSFG") for the year ended 31 December 2020 (the "Reporting Period").

2020 has been an eventful year. The Coronavirus Disease 2019 ("COVID-19") has sent shockwaves through the world economies, resulting in disruption of global business activities, weak demand of consumers, undermining of investors' confidence and intense volatility in the capital market, all of which have exacerbated investors' fears of a global recession. Given a complex and variable domestic and foreign market environments, we have promptly and dynamically adjusted our business strategies to grasp the development and investment opportunities created by such changes in the capital market. As success is not easy to come by, without the concerted and unified efforts of all employees, we could never roll with the punches and achieved such a splendid growth in both the operation and financial indices. Such results have been hard earned.

Adhering to our core development principle of "prudent compliance and steady development", we have made an all-out effort to prevent and to actively resolve the risks in stock business and achieved practical results in minimising the operational risks involved. Meanwhile, we have been all along upholding the aforesaid principle in advancing and integrating our tasks in a coordinated and orderly manner as well as strengthening the respective business plans and collaborations so as to build a solid foundation for the sustainable business development and operations of the Group.

We have rigorously complied with the requirements of applicable regulatory authorities and relevant internal rules and regulations, and continuously optimised our business management and control procedures. We have also established a comprehensive risk management and control system to strictly control risks in each business and project. As one of last year's key tasks, we have also invested ample resources, allocated sufficient cadre manpower and established a designated working group in order to eliminate risks in stock business. By improving securities in financing, increasing negotiation with clients, strengthening management of post-investment, initiating relevant legal procedures, etc., we have managed to reduce risk assets efficiently, and achieved obvious effectiveness in risk dissolution.

As regards business development, we have been dynamically analysing the trends of the economic and financial development, profoundly analysing the opportunities and challenges facing us, actively coordinating both the onshore and offshore markets, carefully deciding on various business lines and have achieved remarkable results in business development. We have been grasping market opportunities, fully exploring the market resources of various industries, adjusting business strategies in a timely manner, comprehensively strengthening the breadth and depth of investment business, and constantly enlarging fixed-income investments and on occasion expanding the layout of equity-based assets, so that the overall investment scale has expanded steadily, while the risk resistance of the investment portfolio has been improved at the same time. The investment returns have been further enhanced. In addition, we have been constantly making use of our rich financial licensing resources to actively coordinate investment and financing business with licensing business to improve our consolidated financial service capability and overall capital utilisation efficiency. On the other hand, our business in Singapore relies on the advantages of the region. It is gradually realising effective integration with the Group to broaden the existing investment business dimension in mainland China and Hong Kong.

CHAIRMAN'S STATEMENT

In terms of financial management, we have taken multiple measures to actively promote the development of the diversified and innovative financing channels and to optimise the financing structure so as to minimise the costs incurred and to provide strong financial support for the investment business. We have facilitated cooperation and coordination with various financial institutions to enrich our financing channels. At the same time, through entering into the agreements of repurchase, total return swaps and structured notes, we have effectively improved the efficiency of capital use, enhanced the returns of investment projects and created a good base for the subsequent expansion of financing channels.

In addition, we have been focusing on the Company's strategy of development, deeply analysing and tackling the fundamental contradictions and remodelling the corporate governance structure thoroughly. In March last year, we have introduced Harvest Fund as a strategic shareholder to optimise our shareholder structure. We have also re-elected the members of the board of directors to rationalise its structure and strengthened the communication and resource coordination among shareholders, forming a market-oriented corporate governance mechanism with clear responsibilities, standardised management, mutual cooperation and efficient operation. Moreover, with the strong support of our controlling shareholder, Shandong Hi-Speed Group Co., Ltd*（山東高速集團有限公司）("Shandong Hi–Speed Group"), with value of assets exceeding RMB one trillion, our market credibility and reputation have been significantly enhanced, strengthening our competitive advantage. Through optimising our corporate governance structure, we have developed a more positive image in the market, which lays a solid foundation for our long-term development.

Faced with the COVID-19 outbreak, we have performed well in coping with the pandemic within our Group, adopting a series of pandemic-control measures and flexible working policies. We have given top priority to the health and safety of our employees, and have been committed to providing a safe and healthy working environment for our employees. We have implemented flexible working hours and alternate working from home arrangements, and strengthened the measures of employee health information collection, pandemic prevention knowledge promotion and procurement of pandemic prevention materials. We have ensured the normal operation of our businesses and at the same time the health and safety of employees and their families.

In addition, we have also taken on our corporate mission, making full use of our overseas advantages to donating personal protective equipment materials to fully support the pandemic-prevention efforts in mainland China through various channels. In order to support frontline medical care personnel, we have organised a donation activity among our employees at the beginning of last year to provide assistance to those in Hubei who are working on the frontline to combat the pandemic. This fully demonstrates our sense of responsibility and reliability in caring for the country, giving back to the society and fighting the pandemic together.

Looking forward to 2021, uncertainties surrounding aspects such as the evolution of the COVID-19 pandemic, the tense relationship between China and the United States, and geopolitical risks etc. will remain high. Amid such an environment where opportunities and challenges coexist, we should conduct and make scientific research and judgments on market trends to adjust our strategies dynamically and in a timely manner, so as to adapt to such trends and gain profit while avoiding risks, thereby occupying an active and advantageous position. We will continue to fully consolidate the foundation of our management, further clarify our development strategy and implementation approach, and grasp the overall guideline of "prudent compliance and steady development", so as to advance the Group to a new level of healthy, sustainable and high-quality development.

We will leverage on our unique advantages to grasp the opportunities created by governmental policies, capture high-quality investment opportunities in the market, and continue to create long-term value for our shareholders. At the same time, relying on the support of Shandong Hi-Speed Group, we will further expand our market footprint and more fully commit to the our "Investment + Investment Bank" development strategy, allowing us to steadily realise our goal of becoming one of the industry’s leading investment and financing and financial holding platforms.

Wang Xiaodong
Executive Director and Chairman

23 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the year ended 31 December 2020 (the "Reporting Period"), the Group recorded an increase in revenue and a decrease in loss as compared with the year ended 31 December 2019 (the "Previous Period"). During the Reporting Period, the Group recorded the revenue of approximately HK$1,272,354,000, representing an increase of approximately 42.30% year-over-year. The loss for the year was approximately HK$18,307,000, representing an improvement of approximately 99.07%, as compared with the loss of approximately HK$1,961,815,000 for the Previous Period. The improvement was mainly attributable to (i) a significant improvement in fair value change on financial assets at fair value through profit or loss; (ii) the significant increase in interest income from financial assets at fair value through other comprehensive income and fixed-income investment due to the significant enlargement in the investment scale in financial assets and the operation scale in fixed-income investment; and (iii) a non-recurring other income of approximately HK$189 million. The basic loss per share attributable to owners of the Company was approximately HK$1.17 cents, as compared with the basic loss per share of approximately HK$8.57 cents for the Previous Period.

As at 31 December 2020, the Group recorded total assets of approximately HK$24,966,194,000 (2019: HK$23,198,805,000) and total liabilities of approximately HK$15,309,446,000 (2019: HK$12,947,348,000), and therefore net assets of approximately HK$9,656,748,000 (2019: HK$10,251,457,000).

In view of the prudent financial and risk management measures taken by the Group, it believes that the COVID-19 pandemic has not given a material adverse effect on the Group's financial position and operating results during the Reporting Period. The Group will closely monitor the development of the pandemic and will evaluate and actively respond to the financial position and business operations of the Group.

MARKET REVIEW

In early March last year, under the impact of the COVID-19 pandemic, the world fell into a severe crisis of dollar liquidity drying up, triggering panic sell-off of major risk assets by investors. Stocks, bonds and commodity markets all experienced serious declines. Since then, in order to support economic development and avoid a full-blown financial crisis, countries have successively introduced ultra-loose monetary policies and large-scale fiscal stimulus plans. According to the data released by the International Monetary Fund (IMF), global fiscal support in response to the COVID-19 reached nearly US$14 trillion as at the end of December last year. Under the two-pronged approach of fiscal and monetary policies, the global economy began to gradually recover in the third quarter. In addition, the research and development for the COVID-19 vaccine has achieved positive test results, and subsequently received approval from relevant regulatory agencies to start vaccination, which made investors have optimistic expectations for economic recovery and led to a clear rebound trend in the market. Some markets and financial asset prices even hit historical records.

Confronting the severe impact of the COVID-19 pandemic and the complex and severe domestic and foreign environments, the PRC government has adopted prompt and effective prevention and control measures to quickly control the spread of the pandemic. As such, employment and people's livelihoods were well protected. China took the lead in achieving an economic rebound, and key figures on economic and social development were better than expected. Date from the National Bureau of Statistics of China shows that China's economy has maintained a stable operation and achieved resilient growth in 2020. From the perspective of economic growth, the economy experienced negative growth in the first quarter of last year due to the pandemic, and gradually increased after the second quarter, achieving a medium-to-high growth rate of 6.5% in the fourth quarter and 2.3% for the year. China was the only major economy in the world to achieve positive growth, and its share of the world's economic scale has risen to more than 17%. China has become the main driving force to promote the recovery of the global economy.

BUSINESS REVIEW

The Group is an investment holding company and its operating segments during the Reporting Period are as follows:

a) Financial leasing

During the Reporting Period, the financial leasing business of the Group recorded a loss of approximately HK$990,345,000, an increase of 155.38% from the Previous Period. The loss was mainly due to the impairment loss of approximately HK$987,074,000 recognised in respect of finance lease receivables and the cautious approach was taken by the Group to the operation of its finance lease business in light of the market conditions, resulting in a decrease in related income compared to the Previous Period. As the comprehensive recovery of the domestic economy and economic growth turns from negative to positive, the overall reduction in the financial leasing business is expected to shrink gradually. With the steady recovery of the domestic economy and the normalisation of monetary policy, the financial leasing business is likely to record growth in the future. Meanwhile, benefiting from the huge investment demand for fixed assets generating from the deepening implementation of guiding policies as dual circulation strategy, the adjustment of industry structure, the upgrading of manufacturing industry, and technology innovation drive a large demand on fixed-asset investments. The financial leasing industry will see good development opportunities by playing an important role in the transformation of industry structure and the course of domestic enterprises "going to the world".

b) Investment in securities

In the first half of 2020, global stock markets fell sharply and some markets experienced historical declines. After a round of market turmoil, the valuation of the Hong Kong stock market was lower than that of the world's major developed and emerging markets, creating huge investment opportunities for value investors. With the recovery of economic and market valuations, the Group has made decisive decisions to make arrangements, seized favourable investment opportunities, and increased investments in blue chips, industry leaders and significant undervalued underlying equity assets. During the Reporting Period, the Group increased investments in financial assets and enlarged its operated fixed-income investments, which resulted in a significant increase in the interest income from financial assets at fair value through other comprehensive income and the interest income from the fixed-income investments.

In the Previous Period, the Group recorded unrealised fair value losses on financial assets at fair value through profit or loss due to a significant loss of approximately HK$1,132,888,000 on the fair value of one of its financial assets. During the Reporting Period, the Group sold part of the shares of this financial asset and realised a gain on financial assets at fair value through profit or loss of approximately HK$33,509,000. In addition, the Group repurchased all 363,065,565 shares of the Company from Honesta Investment Limited ("Honesta Investment") at nil consideration during the Reporting Period and recorded a non-recurring other income of approximately HK$188,794,000.

Benefiting from the above factors, the Group's investment portfolio recorded unrealised fair value gain and realised gain on financial assets at fair value through profit or loss of approximately HK$276,931,000 and HK$525,444,000, respectively, for the Reporting Period as compared with the unrealised fair value loss and realised loss of approximately HK$1,346,743,000 and HK$16,313,000 for the Previous Period, indicating a significant improvement in the results. The unrealised fair value changes had no impact on the Group's cash flow as they were non-cash items.

c) Money lending

In the first half of the Previous Period, due to the impact of the COVID-19 pandemic, the Group's business team was unable to conduct on-site due diligence on customers and projects, thus restricting the development of the money lending business accordingly. Subsequently, as the COVID-19 pandemic situation stabilised, the Group increased its investment in the money lending business, which significantly expanded the scale of the money lending business. During the Reporting Period, the money lending business recorded a profit of approximately HK$72,120,000, an increase of 55.70% from approximately HK$46,319,000 for the Previous Period. With its strong financial strength, extensive channel network and experienced professional team, the Group's money lending business will continue to develop steadily.

d) Financial technology

The Group proactively responds to national policies and continuously adjusts and optimises its financial technology business strategies to further reduce operational risks. During the Reporting Period, the financial technology business recorded a loss of approximately HK$194,013,000, as compared with a profit of approximately HK$171,864,000 in the Previous Period. The loss was mainly attributable to an increase in impairment losses recognised for loans receivables, goodwill and computer software. In the future, the financial technology segment will continue to create synergies with other businesses of the Group, bringing favourable conditions for the Group's development.

FUTURE PROSPECTS

Looking ahead to 2021, the challenges posed by the COVID-19 pandemic remain and the global economy is still clouded with uncertainties, which indicate the pandemic will continue to dominate the global economic landscape. With the COVID-19 vaccine available, coupled with the support of economic stimulus measures by states, the global economy is widely expected to step out of the downturn gradually and achieve positive growth this year, but it may still take years to return to pre-epidemic levels. Governments launched massive fiscal stimulus programs last year, and major central banks such as the U.S. Federal Reserve and the European Central Bank also adopted unprecedented loose monetary policies. The monetary and fiscal policies this year will remain accommodative, however, governments may then gradually reduce fiscal stimulus measures as they try to cover fiscal deficits along the economy recovers steadily. In this context, risk assets in the near term, particularly those in emerging markets, are expected to maintain their upward trend, but there will inevitably be bumps in the road along the way.

MANAGEMENT DISCUSSION AND ANALYSIS

China's economy has taken the lead in recovery in the midst of the global economic downturn. With the coordination of the PRC government in preventing and controlling the pandemic and economic and social development, as well as the implementation of policies on the stability on the six fronts (namely, employment, finance, foreign trade, foreign investments, domestic investment, and market expectations) and security in the six areas (means safeguarding employment, people's livelihoods, the development of market entities, food and energy security, the stable operation of industrial and supply chains, and the smooth functioning of society), China's economy has resumed growth since the second quarter of last year. In terms of macro policy, China will continue to adopt a proactive fiscal policy and a more precise and flexible monetary policy this year, to promote the transformation and upgrading of consumption, improve the quality and efficiency of investment and strengthen innovation and industry synergy. This year is the opening year of the PRC's 14th Five-Year Plan and the first step in building a new development pattern in which the domestic economic cycle plays a leading role while the international economic cycle remains its extension and supplement in China. The establishment of the new development pattern will boost domestic market demand, foster the restructuring and upgrading of industries, and provide a strong impetus to China's economic development. The World Bank's Global Economic Prospects released in January this year predicts that benefiting from the confidence of domestic consumer and business and the improvement of the labour market, China's economy will achieve a growth of 7.9% and is expected to become the fastest-growing region in the world. Foreign capital is now pouring into the Chinese market, with stocks, bonds and other financial assets being favoured by capital from overseas markets. It is expected that overseas capital will continue to flow into China this year and provide strong support to the domestic capital market.

The COVID-19 has not affected the operations of the Group. The Group will pay close attention to the potential impact of the pandemic on the market and its business and will continue to take risk prevention and control as the core value and the first priority of its development, and establish a comprehensive internal control system with a comprehensive risk management system, adhere to the bottom line of compliance and promote the steady development of its work. The Group will actively respond to challenges, leverage its strengths, and optimise and consolidate internal and external resources to enhance coordination and synergy across all business lines and explore new opportunities for sustainable growth while strengthening the foundation of its advantageous businesses.

The Group will continue to promote all aspects of business in an orderly and steady manner, and further strengthen its overall investment research and project development capabilities to explore more high-quality projects and investment opportunities. In addition, the Group will strengthen the market positioning of each subsidiary to consolidate the differentiated competitive advantages of each subsidiary. At present, the business of the Group covers the PRC, Hong Kong and Singapore, with diversified operating licenses and business forms. The Group will make full use of the market advantages of each region to deepen the overall synergy among its subsidiaries and cross-border linkage of investment businesses among different places of business. At the same time, the Group also encourages its subsidiaries to fully utilise their endogenous power and strengthen their investment capabilities to maximise the overall benefits of the Group.

In addition, the Group will continue to deepen the internal synergy with the subsidiaries of Shandong Hi-Speed Group, and fully tap the resources advantage of Shandong Hi-Speed Group to seek development on a higher platform and a broader market. As an overseas listed company, the Group will fully leverage its advantages of professional teams to properly carry out ancillary businesses such as asset securitisation, internationalisation, and overseas investment and financing. Meanwhile, based on the resource advantages given to the Group by Shandong Hi-Speed Group, the Group will deeply integrate its own advantages of the market-oriented mechanism to obtain complementary elements of operation and development, so as to achieve a win-win cooperation for both sides.

The Group will continue to seek potential acquisition targets that will create synergy with the Group and enhance its profitability. As at the date of this report, the Group does not have any specific acquisition targets.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events that took place after the end of the Reporting Period.

FUNDRAISING ACTIVITIES DURING THE REPORTING PERIOD

On 3 June 2020, Coastal Emerald Limited, an indirect wholly-owned subsidiary of the Company, issued 3.80% guaranteed bonds, which are guaranteed by the Company, due 2021 in an aggregate principal amount of US$800,000,000 to professional investors to raise funds for refinancing and general corporate purposes.

On 16 September 2020, Coastal Emerald Limited issued 3.80% guaranteed bonds, which are guaranteed by the Company, due 2021 in an aggregate principal amount of US$50,000,000 to a professional investor to raise funds for refinancing and general corporate purposes.

The Group did not conduct any equity financing activity during the Reporting Period.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the Reporting Period (31 December 2019: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

In order to prevent the potential impacts of the COVID-19 pandemic, the Group proactively strengthened the management of external financing and banking facilities, effectively reduced capital costs and continuously improved debt structure. During the Reporting Period, the Group had sufficient liquidity and working capital to maintain normal business operations. As at 31 December 2020, the total amount of cash and cash equivalents of the Group was approximately HK$5,045,748,000 (2019: HK$8,214,075,000), total assets were approximately HK$24,966,194,000 (2019: HK$23,198,805,000) and total borrowings were approximately HK$14,829,314,000 (2019: HK$12,564,641,000).

As at 31 December 2020, the outstanding borrowings of the Group were comprised of bank borrowings, bonds and other borrowings which were approximately HK$2,931,344,000 (2019: HK$2,825,575,000), HK$11,348,620,000 (2019: HK$9,584,184,000) and HK$549,350,000 (2019: HK$154,882,000), respectively. Details of the outstanding bank borrowings and other borrowings of the Group are disclosed in note 30 to the consolidated financial statements. As at 31 December 2020, the outstanding bonds of the Group included two secured bonds with coupon rates of 3.80% per annum (the aggregate outstanding amount: approximately HK$6,608,698,000), a secured bond with a coupon rate of 3.95% per annum (the outstanding amount: approximately HK$3,940,427,000), a secured bond with a coupon rate of 4.30% per annum (the outstanding amount: approximately HK$789,224,000) and an unsecured bond for a term of seven years with a coupon rate of 5% per annum (the outstanding amount: approximately HK$10,271,000). The above-stated bonds and other borrowings were denominated in US dollars and Hong Kong dollars, and the exchange rate of US dollars against Hong Kong dollars was relatively stable, thus the Company was not subject to the risks in relation to exchange rate fluctuations.

As at 31 December 2020, the gearing ratio (total outstanding borrowings divided by total assets) of the Group was approximately 59.40% (2019: 54.16%). The increase in gearing ratio was mainly due to the increase in the Company's borrowings during the Reporting Period.

As at 31 December 2020, the Company had a total of 24,089,384,437 issued shares with a par value of HK$0.00025 each, and the total equity attributable to the owners of the Company was approximately HK$2,393,777,000, representing a decrease of approximately 19.12% as compared with HK$2,959,705,000 as at 31 December 2019.

PLEDGE OF ASSETS

As at 31 December 2020, the Group's finance lease receivables with a carrying amount of approximately HK$67,940,000 (2019: HK$282,102,000) and financial asset at fair value through other comprehensive income of approximately HK$152,109,000 (2019: Nil) have been pledged to secure bank loan facilities of the Group.

CURRENCY RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. The Group will pay attention to the possible exchange rate exposure due to the continuing fluctuation of Renminbi, closely monitor its impact on the performance of the Group and consider adopting appropriate hedging measures when necessary. In addition, the Group also pays attention to the impact of the U.S. interest rate fluctuations on its U.S. dollar-denominated assets from time to time, and takes appropriate response measures.

During the Reporting Period, the Group's foreign exchange exposure was manageable and therefore the Group has neither held any financial instruments for hedging purposes, nor any currency borrowings or other hedging instruments to hedge against its net foreign currency investments.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any significant contingent liabilities and capital commitment during the Reporting Period.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group did not have any individual investment with a fair value of 5% or more of the total assets of the Group. Save as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss disclosed in notes 21 and 22 to the consolidated financial statements, the Group did not have any other significant investments during the Reporting Period.

Save as disclosed in the section headed "FUTURE PROSPECTS" on pages 11 and 12 in this report, the Group did not have any specific plans for significant investment or capital assets acquisition during the Reporting Period.

MATERIAL ACQUISITION AND DISPOSAL

During the Reporting Period, the Group has conducted the following material acquisition and disposal:

Acquisition of 75% equity interest in Top Wish Holdings Limited ("Top Wish")

On 12 June 2020, the Group acquired the remaining 75% equity interest in Top Wish, an associate which the Group held its 25% equity interest, pursuant to a sale and purchase agreement dated 12 June 2020 at a total consideration of approximately HK$25,300,000. The consideration was settled by cash. Upon and after completion of the acquisition, the Group holds 100% equity interest in Top Wish, which became a wholly-owned subsidiary of the Group. Top Wish is an investment holding company and its subsidiaries are principally engaged in the securities brokerage business. The goodwill of approximately HK$47,003,000 arising from the acquisition of Top Wish was recognised during the Reporting Period. None of the goodwill recognised is expected to be deductible for income tax purposes. A gain on remeasurement of pre-existing interest in an associate of approximately HK$6,148,000 was recognised in the consolidated statement of comprehensive income during the Reporting Period.

Disposal of the entire interest in Eternal Billion Holding Group Limited ("Eternal Billion")

On 12 June 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire interest in Eternal Billion, for an aggregate cash consideration of HK$300,000. Eternal Billion is an investment holding company and its subsidiary is principally engaged in advisory on securities and asset management activities. The transaction was completed on 12 June 2020 and has resulted in recognition of an aggregate gain of approximately HK$300,000 in the consolidated income statement for the year ended 31 December 2020.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries or associates of the Group during the Reporting Period.

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

During the Reporting Period, the Company bought back all of the 363,065,565 Consideration Shares from Honesta Investment Limited at nil consideration on 3 August 2020. The Consideration Shares bought back were subsequently cancelled on 6 August 2020. Details of the share buyback are disclosed in note 33 to the consolidated financial statements. Further details are set out in the announcements of the Company dated 29 December 2017, 26 March 2018 and 3 August 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities subsequent to the Reporting Period and up to the date of this report.

IMPAIRMENT LOSSES ON FINANCE LEASE RECEIVABLES AND LOAN RECEIVABLES

For the year ended 31 December 2020, the Group has recorded impairment losses on finance lease receivables and loan receivables, net of reversal, of approximately HK$987.1 million and HK$131.0 million, respectively (the "Impairments"). Details of the Impairments are as follows:

Finance Lease (1): Yunan Highway Finance Lease

Reference is made to the announcement of the Company dated 30 December 2020 regarding a finance lease arrangement (the "Yunan Highway Finance Lease") entered into in July 2013 (as supplemented in December 2013) by, among others, (i) Shangao International Finance Leasing (Shenzhen) Co., Ltd.*（山高國際融資租賃（深圳）有限公司）("Shangao International Leasing"), an indirect wholly-owned subsidiary of the Company, as lessor; and (ii) China Yunnan Highway Construction Group Company Limited.*（中國雲南路建集團股份公司）(the "Yunan Highway") as lessee.

The Group has been continuously assessing the credit risks of Yunan Highway since its's default in repayment of lease payables under the Yunan Highway Finance Lease in March 2018. The Group's continuous measures included but not limited to the conducting of site visits and communicating with the ultimate beneficial owners, auditors and debtors of the Yunan Highway to keep abreast of the status and progress of Yunan Highway's business, financial liquidity, financial audits and bankruptcy reorganization. Pursuant to the Group's business and financial investigation, it became clear in the end of 2020 that the credit risks of Yunan Highway had reached a level of significance where substantial impairment of the loan receivables should be made. In assessing the credit risk of Yunan Highway and determining the need and extent of impairment of finance lease receivables under the Yunan Highway Finance Lease for the year ended 31 December 2020, the Group had primarily taken into account the following factors, events and circumstances at that material time:

(i) The Group had not received any repayment from Yunan Highway under the Yunan Highway Finance Lease since March 2018;

(ii) The Group's investigation revealed that Yunan Highway and its major operating subsidiaries had ceased their respective business operations, and that Yunan Highway was significantly insolvent (that its total liability exceeded its total assets under its financial statements by a significant degree);

(iii) According to public records as at 23 October 2020, (i) there were 204 records of enforcement of judgment against Yunan Highway; and (ii) there were 112 cases of unsuccessful enforcement of judgements against Yunan Highway due to lack of enforceable assets (終本案件), involving unfulfilled monetary obligations of approximately RMB292,462,100; and

(iv) The net realisable value of the Yunan Highway Leased Assets were unascertainable as the Group's investigation revealed that a significant portion of them may have become obsolete or untraceable.

For the reasons stated above, the Group regarded that the credit risk of Yunan Highway was high and therefore decided that an impairment of HK$137,302,479.73 for the Yunan Highway Finance Lease should be made for the year ended 31 December 2020. As at 31 December 2020, all loan receivables under the Yunan Highway Finance Lease had been fully impaired. It is the view of the Directors that the factors set out above which formed the primary foundation of the impairment could not have been anticipated by the Group when the agreement of Yunan Highway Finance Lease was entered into back on 26 July 2013 which was more than 6 years before the relevant impairment was made.

As disclosed in the announcement of the Company dated 30 December 2020, the Group has sought legal advice, has been conducting site visits and communicating with the ultimate beneficial owners, auditors and debtors of the Yunan Highway to keep abreast of the status and progress of Yunan Highway's business, financial liquidity, financial audits and bankruptcy reorganization. The Group has commenced relevant legal proceedings against Yunan Highway and the personal guarantors and corporate guarantors of the Yunan Highway Finance Lease in a view to recover the outstanding lease receivables. The Group will closely monitor the progress of the recovery of outstanding lease receivables, and make announcement as and when appropriate in compliance with the Listing Rules.

Finance Lease (2) – (4): China Tieniu Finance Lease, Hangzhou ESSEN Finance Lease and Ruizhan (Tongling) Finance Lease

Reference is made to the announcements of the Company dated 16 May 2018 and 2 December 2020 and the circular of the Company dated 17 July 2018 regarding (i) the finance lease arrangement agreed on 21 March 2018 (the "China Tieniu Lease") by, among others, Shangao International Finance as lessor and China Tieniu Group Co., Ltd.* (鐵牛集團有限公司) ("China Tieniu") as lessee; (ii) the finance lease arrangement agreed on 29 March 2018 (the "Hangzhou ESSEN Lease") (as amended by a supplemental agreement dated 7 May 2018) by, among others, Shangao International Finance as lessor and Hangzhou ESSEN Auto Component Co., Ltd.* (杭州易辰孚特汽車零部件有限公司) ("Hangzhou ESSEN") as lessee; and (iii) the finance lease arrangement agreed on 7 May 2019 (the "Ruizhan (Tongling) Lease") by, among others, Shangao International Finance as lessor and Ruizhan (Tongling) Technology Co., Ltd* (銳展(銅陵)科技有限公司) ("Ruizhan (Tongling)") as lessee.

The assessment of credit risks by the Group of China Tieniu, Hangzhou ESSEN and Ruizhan (Tongling) under the China Tieniu Finance Lease, Hangzhou ESSEN Finance Lease and Ruizhan (Tongling) Finance Lease has been a continuous process. The Group realised that the credit risks of China Tieniu, Hangzhou ESSEN and Ruizhan (Tongling) have reached a level of significance where substantial impairment of the relevant finance lease receivables should be made in the end of 2020. In assessing the credit risk of China Tieniu, Hangzhou ESSEN and Ruizhan (Tongling) and determining the need and extent of impairment of finance lease receivables under the China Tieniu Finance Lease, Hangzhou ESSEN Finance Lease and the Ruizhan (Tongling) Finance Lease for the year ended 31 December 2020, the Group had primarily taken into account the following factors, events and circumstances at that material time:

(i) In August 2020, the applications for bankruptcy reorganisation of Zhejiang Zhuocheng (one of the guarantors of Ruizhan (Tongling) Lease and a subsidiary of China Tieniu) was accepted by the Zhejiang Yongkang People's Court (浙江省永康市人民法院);

(ii) In September 2020, Anhui Tongfeng (one of the guarantors of each of China Tieniu Finance Lease, Hangzhou ESSEN Finance Lease and the Ruizhan (Tongling) Finance Lease and a subsidiary of China Tieniu) was declared bankrupted by the Anhui Tongling Intermediate People's Court (安徽省铜陵市中级人民法院);

(iii) In December 2020, China Tieniu was declared bankrupt by the Zhejiang Yongkang People's Court (浙江省永康市人民法院);

(iv) In December 2020, the application for bankruptcy liquidation of Ruizhan (Tongling) was accepted by Anhui Tongling Intermediate People's Court (安徽省铜陵市中级人民法院);

(v) It was expected that the Group could only recovery a relatively low percentage of outstanding amount under China Tieniu Finance Lease, Hangzhou ESSEN Finance Lease and the Ruizhan (Tongling) Finance Lease from the distribution of bankruptcy assets of China Tieniu, Zhejiang Zhuocheng and Ruizhan (Tongling) (in their respective bankruptcies (if any));

(vi) the Group's investigation revealed that China Tieniu's major operating subsidiaries (including Hangzhou ESSEN) and Ruizhan (Tongling) had ceased their respective business operations;

(vii) According to public records as at 21 October 2020, there were 6 records of enforcement of judgment against Hangzhou ESSEN, involving monetary obligation of approximately RMB1,069,159,087; and

(viii) According to public records as at 29 October 2020, (i) there were 8 records of enforcement of judgements against Zhejiang Dehao (one of the guarantors of Ruizhan (Tongling) Lease), involving monetary obligation of approximately RMB253,477,980.00; (ii) there were 6 cases of unsuccessful enforcement of judgements against Zhejiang Dehao due to lack of enforceable assets（終本案件）, involving unfulfilled monetary obligations of approximately RMB10,659,900.

For the reasons stated above, the Group regarded that the credit risks of China Tieniu, Hangzhou ESSEN and Ruizhan (Tongling) were high, and therefore decided that impairment of HK$467,684,806.03, HK$168,017,333.04 and HK$197,476,560.75 for the China Tieniu Finance Lease, Hangzhou ESSEN Finance Lease and Ruizhan (Tongling) Finance Lease should be made for the year ended 31 December 2020, respectively. In respect of the leased assets under the China Tieniu Finance Lease, Hangzhou ESSEN Finance Lease and Ruizhan (Tongling) Finance Lease, in performing the annual audit procedures for the year ended 31 December 2020, the Group conducted site visits for ascertaining their existence and for performing physical inspections. The Company is waiting for the results of the relevant bankruptcy proceedings and will determine further plans for the disposal of such leased assets.

It is the view of the Directors that the factors set out above which formed the primary foundation of the impairment could not have been anticipated by the Group when the agreement of China Tieniu Finance Lease, Hangzhou ESSEN Finance Lease and the Ruizhan (Tongling) Finance Lease were entered into back on 21 March 2018, 29 March 2018 and 7 may 2019, respectively, as (i) the credit risks of China Tieniu, Hangzhou ESSEN and Ruizhan (Tongling) were acceptable to the Group at that time; (ii) their businesses were operating in an ordinary manner at that time; and (iii) their financial performance had deteriorated significantly only after the respective agreements of finance leases were entered into.

In February 2021, the application for bankruptcy liquidation of Zhejiang Dehao (one of the guarantors of Ruizhan (Tongling) Lease) was accepted by Zhejiang Yongkang People's Court（浙江省永康市人民法院）. The Group has been actively participating in the bankruptcy processes of Zhejiang Zhuocheng, Ruizhan (Tongling) and Zhejiang Dehao including but not limited to the exploration of new investors to participate in their respective bankruptcy processes. The Group has also been communicating with the bankruptcy administrators of China Tieniu and Anhui Tongfeng for further recovery of lease receivables. The Group will closely monitor the progress of the recovery of finance lease receivables and the disposal of the leased assets under the China Tieniu Finance Lease, Hangzhou ESSEN Finance Lease and Ruizhan (Tongling) Finance Lease, and make announcement as and when appropriate in compliance with the Listing Rules.

Loan Receivable (1) – (4): Gao Xin Investment Loans, Cheng Shun Tai Loans, Yonglihe Loan and Gao Sheng Investment Loans

Background of the Gao Xin Investment Loans, Cheng Shun Tai Loans, Yonglihe Loan and Gao Sheng Investment Loans

During the year ended 31 December 2018, the Group (through Shenzhen Honesta New Finance Holding Limited* (深圳厚生新金融控股有限公司)("Honesta New Finance"), a then subsidiary of the Group) as lender entered into a total of 12 loan agreements with Shenzhen Gao Xin Investment Limited Partnership* (深圳市高欣投資合夥企業(有限合夥)) ("Gao Xin Investment") as borrower, with an aggregated loan principal totaling RMB98,936,246.98 (equivalent to approximately HK$111,169,787.43) ("Gao Xin Investment Loans"), all drawn down within April and May of 2018, all with annual interest rates of 12%, all with loan period of 18 months and thus with expected maturity dates falling within October and November of 2019. On 1 November 2019, the Group entered into a loan extension agreement with Gao Xin Investment, pursuant to which the maturity dates of all Gao Xin Investment Loans were extended to 31 December 2020 with an annual interest rate of 12% and the aggregated loan principal was adjusted to RMB92,624,012.92 (equivalent to approximately HK$109,616,810.95).

During the year ended 31 December 2018, the Group (through Honesta New Finance) as lender entered into a total of 10 loan agreements with Shenzhen Cheng Shun Tai Industrial Company Limited* (深圳市誠順泰實業有限公司)("Cheng Shun Tai") as borrower, with an aggregated loan principal totaling RMB23,369,086.28 (equivalent to approximately HK$27,656,377.99) ("Cheng Shun Tai Loans"), with drawdown dates ranged from 18 May 2018 to 3 September 2018, all with annual interest rates of 12%, all with loan period of 18 months and thus with expected maturity dates ranged from 17 November 2019 to 2 March 2020. On 17 November 2019, the Group entered into a loan extension agreement with Cheng Shun Tai, pursuant to which the maturity dates of all Cheng Shun Tai Loans were extended to 31 December 2020 with an annual interest rate of 12%.

During the year ended 31 December 2018, the Group (through Honesta New Finance) as lender entered into a loan agreement with Shenzhen Yonglihe Industrial Company Limited* (深圳市永利和實業有限公司)("Yonglihe") as borrower for the provision of loan with principal amounted to RMB43,690,000.00 (equivalent to approximately HK$51,705,365.81) (the "Yonglihe Loan"), annual interest rate of 12%, drawdown date of 22 May 2018, loan period of 18 months and thus a maturity date of 21 November 2019. On 21 November 2019, the Group entered into a loan extension agreement with Yonglihe, pursuant to which the maturity date of the Yonglihe Loan was extended to 31 December 2020 with an annual interest rate of 12%.

During the year ended 31 December 2019, the Group (through Honesta New Finance) as lender entered into a total of three loan agreements with Shenzhen Gao Sheng Investment Limited Partnership* (深圳市高生投資合夥企業(有限合夥))("Gao Sheng Investment") as borrower, with an aggregated loan principal totaling RMB34,000,000.00 (equivalent to approximately HK$40,237,638.76) ("Gao Sheng Investment Loans"), all drawn down in July 2019, all with annual interest rates of 12%, all with loan period of 18 months and thus with expected maturity dates falling in January 2021.

After the Group sent out letters of repayment reminder to Gao Xin Investment, Cheng Shun Tai, Yonglihe and Gao Sheng Investment (collectively, the "Loan Borrowers") on 15 September 2020, 15 September 2020, 15 September 2020 and 15 October 2020, respectively, the Group received a letter from each of Gao Xin Investment, Cheng Shun Tai, Yonglihe and Gao Sheng Investment on 30 September 2020, 30 September 2020, 30 September 2020 and 30 October 2020, respectively, (collectively, the "Loan Extension Requests") indicating their respective expected default in repayment of outstanding principals and interest payables under the Gao Xin Investment Loans, Cheng Shun Tai Loans, Yonglihe Loan and Gao Sheng Investment Loans, respectively, (collectively, the "Loans") by reason of shortage of funds and indicating their respective intentions to apply for loan extensions. In this regard, the Group entered into loan extension agreements with each of the Loan Borrowers on 1 November 2020 to further extend the maturity dates under the Loans to 31 December 2022 with the same annual interest rates.

Impairment losses recorded by the Company for the Gao Xin Investment Loans, Cheng Shun Tai Loans, Yonglihe Loan and Gao Sheng Investment Loans

The Group became aware of the Loan Borrowers' inability to settle the outstanding loan receivables under the Loans when the Loan Extension Requests were received by the Group on 30 September 2020, 30 September 2020, 30 September 2020 and 30 October 2020 from Gao Xin Investment, Cheng Shun Tai, Yonglihe and Gao Sheng Investment, respectively. In assessing the credit risk of each of the Loan Borrowers and determining the need and extent of impairment of loan receivables under each of the Loans for the year ended 31 December 2020, the Group had taken into account the historical repayment records of the Loan Borrowers under the Loans.

Before the maturity dates under the Loans were extended to 31 December 2022 pursuant to the loan extension agreements entered into by the Group with each of the Loan Borrowers in November 2020 for reason of the Loan Borrowers' expected default pursuant to the Loan Extension Requests, the Group had received similar extension requests and as a result had to extend the maturity dates under Gao Xin Investment Loans, Cheng Shun Tai Loans and Yonglihe Loan from their respective original maturity dates to 31 December 2020. (the "Previous Extensions").

At the time when the decisions of the Previous Extensions were made, the Group had assessed the credit risks of each of Gao Xin Investment, Cheng Shun Tai and Yonglihe, but had decided to make minor impairment to their respective loan receivables at that time. However, subsequent to the Previous Extensions, after receiving the Loan Extension Requests in late 2020, the Group re-assessed the credit risks of Loan Borrowers and decided that impairment of a substantial portion of the loan receivables under the Loans should be recorded for the year ended 31 December 2020. In this regard, impairments of HK$61,900,318.14, HK$15,991,929.42, HK$29,737,694.11 and HK$22,780,094.46 for the loan receivables under the Gao Xin Investment Loans, Cheng Shun Tai Loans, Yonglihe Loan and Gao Sheng Investment Loans were made for the year ended 31 December 2020, respectively. Despite the relatively high risk of default anticipated by the Group, the Group decided it would be strategically beneficial to extend the respective maturity dates under the Loans to 31 December 2022 by entering into the loan extension agreements as mentioned above, instead of initiating legal proceedings or filing bankruptcy applications against the Loan Borrowers.

It is the view of the Directors that the factors explained above which formed the primary foundation of the impairment could not have been anticipated by the Group when the agreements of Gao Xin Investment Loans, Cheng Shun Tai Loans, Yonglihe Loan and Gao Sheng Investment Loans were respectively entered into as the credit risks of the Loan Borrowers at that time were acceptable to the Group.

Bought-back of the Company's Shares for Nil Consideration after the Relevant Companies of Honesta New Finance Failed to Meet the Profit Guarantee in respect of the Acquisition of 60% Issued Share Capital of Kun Peng International Limited

Reference is made to the announcement of the Company dated 29 December 2017 in relation to the acquisition and subscription of an aggregate of 60% shares in Kun Peng International Limited ("Kun Peng") (the "Acquisition") and the announcement of the Company dated 3 August 2020 in relation to, among others, the non-fulfilment of certain profit guarantees in relation to the Acquisition. Honesta New Finance has been controlled by a subsidiary of Kun Peng through structured contracts, and therefore has become an indirect subsidiary of the Group after the Acquisition. Pursuant to the share purchase agreement dated 29 December 2017 (the "Acquisition Agreement") in respect of the Acquisition, among others,

(1) Honesta Investment Limited ("Honesta Investment"), the then sole shareholder of Kun Peng before the Acquisition, and Mr. Hua Meng ("Mr. Hua", together with Honesta Investment, the "Profit Guarantors"), the then 40% shareholder of Honesta Investment, jointly and severally guaranteed that the minimum distributable operating net profit (the "Profit Guarantees") of Shenzhen Cashlai Financial Information Services Co. Ltd. (深圳錢來網金融信息服務有限公司)("Cashlai Financial"), a PRC incorporated limited liability company which has been held as to approximately 45.6% by Honesta New Finance as at the date of the Acquisition Agreement and up to the date of this reply, and Shenzhen Qianhai Honesta Asset Management Company Ltd. (深圳前海厚生資產管理有限公司), a PRC incorporated limited liability company which has been held as to 60% by Honesta New Finance as at the date of the Acquisition Agreement and up to the date of this reply, (together, the "Relevant Companies") shall not be less than certain amounts set out in the Acquisition Agreement for the years ended 31 December 2018, 2019 and 2020;

(2) the Company allotted and issued to Honesta Investment 363,065,565 shares in the Company (the "Consideration Shares") as part of the consideration for the Acquisition.

As the operating net profits of the Relevant Companies failed to meet the respective Profit Guarantees, pursuant to a supplemental deed to the Acquisition Agreement entered into by the Group and each of the Profit Guarantors on 3 August 2020, the Group exercised its rights under the Acquisition Agreement and bought back the Consideration Shares from Honesta Investment for nil consideration on 3 August 2020 in order to safeguard the Group's assets.

The Disposal of Honesta New Finance and the Creation of Charge Over the Loan Receivables Under the Loans

Reference is made to the announcement of the Company dated 7 April 2021. On 7 April 2021, the Group (through Perfect Waters Limited, a direct wholly-owned subsidiary of the Company) entered into a share purchase agreement with Ms. Fu Yu (傅妤), pursuant to which the Group has agreed to sell the entire issued shares of Coastal Silk Limited to Ms. Fu Yu (傅妤) for a consideration of RMB3,000,000 (or its equivalent in HK$) (the "Disposal of Coastal Silk").

In order to maintain the business operation of Honesta New Finance and for the Profit Guarantors to satisfy the Profit Guarantees, the Group agreed to retain, among others, the then management team and a list of key employees of Honesta New Finance (the "Retained Management Team") for at least three years from the date of completion of the Acquisition. Accordingly, the Retained Management Team was retained by the Group to play a major role in the business operation of Honesta New Finance after the completion of the Acquisition.

However, the performance of the Retained Management Team was not satisfactory and resulted in Honesta New Finance failing to meet the Profit Guarantees. As a result, the Group exercised its rights under the Acquisition Agreement and bought back the Consideration Shares from Honesta Investment for nil consideration on 3 August 2020 in order to safeguard the Group's assets. Eventually, the Group has decided to dispose all its interest in Honesta New Finance through the disposal of Coastal Silk Limited, which indirectly controls Honesta New Finance through structured contracts. After the completion of the Disposal of Coastal Silk which took place on 7 April 2021, the Group ceased to be interested in the Loans in the capacity as lender of the Loans.

Shangao International Finance provided certain loans to Honesta New Finance of an aggregate amount of RMB300,000,000 in 2018. After the completion of the Disposal of Coastal Silk on 7 April 2021, such loans were recognized as loan receivables due from Honesta New Finance to the Group (the "Loan to Honesta"). As the Group entered into a receivable charge agreement dated 7 April 2021 with Honesta New Finance for the creation by Honesta New Finance of first ranking charges in favour of the Group over, among others, all Honesta New Finance's rights, title and interests arising from the Loans as security for Honesta New Finance's repayment obligations under the Loan to Honesta, despite that the Group has ceased to be the lender of the Loans after the disposal of Honesta New Finance upon completion of the Disposal of Coastal Silk, the Group remained interested in the loan receivables under the Loans as chargee and will be entitled to the loan receivables under the Loans in the event of default on repayment by Honesta New Finance under the Loan to Honesta.

Entering into a Guarantee Agreement in favour of the Group in respect of the Loan to Honesta

The Group entered into a guarantee agreement (the "Guarantee Agreement") dated 7 April 2021 with (i) Cashlai Financial; (ii) Shangao Puhui (Shenzhen) Information Services Co., Ltd.* (山高普惠（深圳）信息服務有限公司)(a wholly-owned subsidiary of Cashlai Financial) ("Shangao Puhui"); (iii) the Loan Borrowers; and (iv) three other PRC entities (together with Cashlai Financial, Shangao Puhui and the Loan Borrowers, the "Guarantors"), pursuant to which the Guarantors agreed to bear irrevocable joint and several liabilities (連帶責任保證) for the repayment obligations of Honesta New Finance under the Loan to Honesta.

Other Finance Leases and Loan Receivables

The impairment loss recorded by the Company for our finance leases other than the those set out above for the year ended 31 December 2020 amounted to HK$16,593,222.19.

The impairment loss and reversal of impairment loss recorded by the Company for loan receivables other than those set out above for the year ended 31 December 2020 amounted to HK$16,739,030.02 and HK$16,024,284.94, respectively.

Method and Basis Used in Determining the Amount of the Impairments

For details of the method and basis used in determining the amount of the Impairments and details of valuation used for assessing the Impairments, please refer to note 3, 4, 23, 24 and the section headed "Credit risk" under the note 41 to the consolidated financial statements. The Board considers the Impairments have been provided appropriately.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 December 2020, there were 512 employees (including the directors of the Group and directors of the Company's subsidiaries) (2019: 562 employees), of which 420, 83 and 9 were based in the PRC, Hong Kong and Singapore, respectively. During the Reporting Period, the Group's employee costs (including Directors' remuneration) incurred and included in profit or loss were approximately HK$187,018,000, an increase of 15.51% over the Previous Period, mainly due to the increase in salaries, allowances and benefits-in-kind of Directors and employees.

The Group actively attracts outstanding talents and builds a strong team to maintain the overall business growth of the Group. In order to retain and motivate employees, the Group has formulated an internal remuneration policy. When selecting and promoting employees, the Group will make a decision with reference to their qualification, experience and suitability for the position offered. The performance of employees will also be used as the basis for reviewing remuneration package during the annual review. Meanwhile, competitive remuneration packages are offered to employees by reference to the prevailing market level and individual merits.

In addition, the Group also provides employees with a series of welfare policies to enhance their sense of belonging and work enthusiasm, and jointly promote the sustainable development of the Group. In order to motivate employees to work hard, the Group provides bonuses and rewards to outstanding performance employees. The Group determines the working hours of employees in accordance with relevant laws and regulations, and provides transportation reimbursement and compensatory leave for employees who work overtime. In addition, the Group provides employees with social insurance, employee dormitories, housing provident fund and mandatory provident fund and other benefits. In addition to statutory holidays and regular paid annual leave, employees are also entitled to additional leave benefits such as sick leave, marriage leave, maternity leave, paternity leave and compassionate leave.

Employees are the essential driving force to the sustainable development of the Group. Adhering to a people-oriented approach to talent management, the Group continues to invest resources to attract and retain talents. Employees are provided with competitive remuneration and benefit packages and equal opportunities, as well as a wide range of training and development opportunities. The Group optimises its human resources management system continuously with a view to providing employees with a friendly and healthy workplace and ensuring that employees may can develop their talents and potential.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As an investment holding enterprise, the Group's emissions and resource consumption during business operations mainly come from office premises. Although there are no material impacts caused by its business activities on the environment and natural resources, the Group is committed to introducing green elements into our business operations and makes every effort to support sustainable development and minimise the potential impacts of operations on the environment.

The Group actively advocates a sustainable green office policy and adheres to low-carbon travel without hindering the efficient operations of the Group. Employees shall strictly comply with the Group's specifications of travel allowance claim under the daily expense standards and choose means of transportation based on the principles of efficiency and conservation. The Group encourages employees to use video conferencing facilities whenever possible to avoid unnecessary business trips. The Group requires employees to take public transport and avoid using private cars to reduce both carbon emissions and vehicle exhaust emissions.

The Group concerns about global climate change, and commits to reducing carbon emissions in business operations by implementing various measures. The Group has installed energy-efficient LED lights to replace traditional light tubes in offices and encourages employees to reduce the use of lights when natural light is abundant. Energy-saving reminders are posted in easily visible places in offices to enhance employees' awareness of energy conservation. Besides, the Group uses sockets with independent switches and turns off electrical appliances, such as lights, computers and air conditioners in offices after normal office hours. The Group has installed solar film on windows to lower indoor temperature, and maintained a reasonable temperature level of air-conditioners by controlling the central air-conditioning system to minimise energy consumption related to air-conditioners. For office equipment procurement, models with better energy efficiency are prioritised in order to further reduce energy consumption in the office.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws or regulations by the Group that has a material adverse impact on the business and operation of the Group.

AUDIT COMMITTEE

The audit committee of the Board was established in accordance with the requirements of the Code for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises two non-executive Directors and three independent non-executive Directors. The Group's consolidated results for the year ended 31 December 2020 have been reviewed by the audit committee.

RELATIONSHIPS WITH STAKEHOLDERS

The Group believes that the people-oriented talent management model is crucial to the long-term development of the Group. The Group attaches great importance to team building and talent introduction, and has always adhered to the principles of openness, equality, competition and selection to hire excellent talents. The Group's employee management focuses on recruiting and developing talents. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment are in line with the Group's corporate strategy. The Group also understands that maintaining a good long-term relationship with business partners is one of its primary objectives. Accordingly, the Group has used its best endeavours to maintain good communications with business partners, promptly exchange ideas and share business updates with them when appropriate. During the Reporting Period, there was no material or significant dispute between the Group and its business partners.

DIRECTORS

Mr. Wang Xiaodong, aged 45, was appointed as an executive director of the Company ("Director"), the chairman of the board of directors of the Company (the "Board"), a member and the chairman of the nomination committee of the Company (the "Nomination Committee") and became a member of the executive committee of the Company (the "Executive Committee") on 7 May 2019. On 17 May 2019, Mr. Wang was designed as the chairman of the Executive Committee. Mr. Wang is also a director of a subsidiary of the Company.

Mr. Wang currently serves as the secretary to the board of directors of Shandong Hi-Speed Group Co., Ltd.. He successively held various major positions in Shandong Hi-Speed Group Co., Ltd. and has nearly 20 years of working experience in management and in-depth knowledge in corporate governance. Mr. Wang holds a master degree in software engineering from Tianjin University.

Mr. Liu Han, aged 43, was appointed as an executive Director, and the vice-chairman and a member of the Executive Committee on 17 May 2019 and was appointed as the vice-chairman of the Board on 3 June 2019. Mr. Liu is also a director of a subsidiary of the Company.

Mr. Liu has extensive experience in management and practice in the Hong Kong market, in particular in the insurance and investment management sectors. He previously served as the vice president of New China Asset Management (Hong Kong) Ltd. since July 2018, where he is responsible for the investment management segment of the said company. From 2017 to June 2018, he served as the managing director of China Re Asset Management (Hong Kong) Company Limited（中再資產管理（香港）有限公司） which is the overseas asset management platform under China Reinsurance (Group) Corporation (stock code: 1508). He obtained a bachelor's degree in industrial automation from North China University of Technology（北方工業大學）in 2000 and a master's degree of engineering in computer science and technology from Beijing Jiaotong University（北京交通大學, formerly known as Northern Jiaotong University（北方交通大學））in 2003.

Mr. Liu Honghui, aged 41, was appointed as an executive Director and a member of each of the Executive Committee and remuneration committee of the Company (the "Remuneration Committee"). Mr. Liu obtained both bachelor's and master's degree in finance in the Renmin University of China. Mr. Liu has over 17 years of securities practice qualification and 12 years of investment and management experience.

Mr. Liu is the responsible officer, deputy chief executive officer and chief investment officer of Harvest Global Capital Investments Limited since April 2019. He had been the fund manager of Lion Fund Management Co., Limited during the period from May 2010 to January 2019. For the period from July 2004 to April 2010, Mr. Liu Honghui acted as the director of product management department and fund manager of Harvest Fund Management Co., Ltd..

Mr. Liu Zhijie, aged 46, was appointed as an executive Director and a member of each of the Executive Committee and the Remuneration Committee on 17 May 2019. Mr. Liu is the chief financial officer of the Company since October 2016 and is a director of a number of subsidiaries of the Company.

Mr. Liu previously served as the general manager of Planning and Financial Management Department of China Shandong International Economic and Technical Cooperation Group Limited and a director of Shandong International Economics (HK) Limited. He successively held audit, tax and financial management positions in accounting firms and large-scale state-owned enterprises. He also oversaw various overseas companies and has extensive experience in financial management, investment and financing, as well as overseas business exposure. Mr. Liu obtained a bachelor's degree from Shandong University of Finance and Economics. He is a senior accountant and selected as high-grade accountant personnel.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Yao, aged 35, was appointed as an executive Director, a member of the Executive Committee and an authorized representative of the Company on 17 May 2019. He has served as the vice president of the Company since December 2017 and is also a director of a number of subsidiaries of the Company.

Mr. Liu previously worked for a number of arms and divisions of Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group"), namely the real estate arm, the division of investment development in listed companies and the investment development division (property management) of the headquarters of Shandong Hi-Speed Group. He had participated in professional trainee exchange programmes held by the investment banking division of Everbright Securities Company Limited and the fund management company of Everbright Capital Investment Limited, respectively. He holds a number of practising qualifications in accounting, securities and funds respectively, with extensive working experience in real estate, investment and securities. He obtained a master's degree in Finance from Shandong University of Finance and Economics and is an economist and registered real estate appraiser in China.

Mr. Liang Zhanhai, aged 53, was appointed as a non-executive Director on 14 May 2020.

Mr. Liang has obtained a Bachelor of Industrial Management Engineering of Wuhan Institute of Technology. He is a senior accountant and selected as high-grade accountant personnel in Shandong province. Mr. Liang has been the head of the planning and financial department of Shandong Hi-Speed Group Co., Ltd*（山東高速集團有限公司）("Shandong Hi-Speed Group") since November 2017. Prior to that, he had been the deputy head of the planning and financial department of Shandong Hi-Speed Group for almost 7 years. He has concurrently been the director of Shandong Hi-Speed (Hong Kong) Co., Limited and Shandong Hi-Speed Company Limited since June 2019 and March 2020 respectively. He had been a director of Shandong Hi-Speed Basketball Club Group Co., Ltd*（山東高速籃球俱樂部有限公司）for more than 4 years. He had also been the chairman of the supervisory committee of Shandong Railway Development Fund Co., Ltd.*（山東鐵路發展基金有限公司）for 3 years. Prior to joining Shandong Hi-Speed Group, Mr. Liang had been working for various largescale state-owned enterprises in various sectors accumulating diversified working experiences.

Mr. Chen Di, aged 44, was appointed as a non-executive Director and member of each of the audit committee of the Company (the "Audit Committee") and the Nomination Committee on 14 May 2020. Mr. Chen obtained his Bachelor and Master degree in Finance from Jinan University. He also got the master degree in EMBA program at Tsinghua PBC School of Finance.

Mr. Chen has over 20 years of extensive experience in the financial industry, 15 years of which has been with the senior management team. Mr. Chen is currently the managing director at Harvest Global Capital Investments Limited and the chief executive officer at Harvest Global Capital Investments Limited. Mr. Chen joined Harvest in May 2005, he was responsible for the establishment of Guangzhou office and was appointed as general manager. In 2008, he had taken the role as south china regional general manager and wealth management executive director. In 2011, he became the head of channel development headquarters and wealth management department. In 2014, he was appointed as chief marketing officer of Harvest Global Investments and then took the current roles as managing director of Harvest Fund Management and chief executive officer of Harvest Global Capital Investments Limited. Prior to Harvest, he worked at the Guangdong branch of Galaxy Fund*（銀河基金）as deputy general manager.

Mr. Gao Guicheng, aged 52, was appointed as a non-executive Director and member of the Audit Committee on 14 May 2020.

Mr. Gao obtained a postgraduate degree and a master's degree in corporate management majoring non-manufacturing position from School of Management of Shandong University. Mr. Gao has been the head of audit and legal department of Shandong Hi-Speed Group since May 2017. Prior to that, he had been the deputy head of audit and legal department of Shandong Hi-Speed Group for 6 years. He has also been a disciplinary inspection committee and employee representative supervisor of Shandong Hi-Speed Group since September 2017 and a supervisor of Shandong Hi-Speed Road and Bridge Co., Ltd.*（山東高速路橋集團股份有限公司）since March 2019. He previously worked for a number of arms and divisions of Shandong Hi-Speed Group, namely the media arm, the investment and corporate management department of the headquarters of Shandong Hi-Speed Group. Prior to joining Shandong Hi-Speed Group, Mr. Gao had been working for Shandong Dacheng Pesticide Industrial Joint Stock Company*（山東大成農藥工業股份公司）, a state-owned enterprise, for years.

Mr. Guan Huanfei, aged 63, was appointed as an independent non-executive Director on 10 November 2017 and is now the chairman of the Remuneration Committee. Mr. Guan obtained a Doctor degree in Economics in 2000 from Wuhan University and was a postdoctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002. Mr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has been appointed as a part-time lecturer of professional degree of Fudan University since 2013. Mr. Guan has been appointed as a visiting professor of Jilin University of Finance and Economics since August 2019. Mr. Guan has been an economic and technical consultant of People's Government of Jilin Province for years. Mr. Guan has extensive experience in finance and insurance industry in Hong Kong and the People's Republic of China. He held various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, China Taiping Insurance (HK) Company Limited and China Pacific Insurance Co., (H.K.) Limited. He also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, the deputy chairman of credit asset management committee, the chairman of loan verification committee, the deputy general manager of the Bank of Communications Hong Kong Branch, a director of Bank of Communications Trustee Limited, the chairman and chief executive of China BOCOM Insurance Company Limited and an executive director and general manager of BoCommLife Insurance Company Limited.

Mr. Guan is currently an executive director and chairman of the board of Enterprise Development Holdings Limited (stock code: 1808); an independent non-executive director of each of China Nonferrous Mining Corporation Limited (stock code: 1258), Huarong International Financial Holdings Limited (stock code: 993), Sunwah Kingsway Capital Holdings Limited (stock code: 188), and Shanghai Zendai Property Limited (stock code: 755), all are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the period from December 2017 to June 2018, Mr. Guan served as a non-executive director of Ping An Securities Group (Holdings) Limited (a company listed on the Main Board of the Stock Exchange, stock code: 231). Mr. Guan had been the chairman emeritus of Culturecom Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 343) and the chairman of the board of directors of UCAN.COM Group Limited, a subsidiary of Culturecom Holdings Limited from July 2013 to March 2016. Mr. Guan has been an executive director of CCT Land Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 261) since May 2015 and had resigned in September 2017. Mr. Guan was an independent non-executive director of Silver Base Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 886) during the period from March 2008 to January 2011, and he was an executive director and the president of the said company from January 2011 to December 2012. He was also an independent non-executive director of China Wood International Holding Co., Limited (Formerly known as HongDa Financial Holding Limited) (stock code: 1822) and Solis Holdings Limited (stock code: 2227), each of which being a company listed on the Main Board of the Stock Exchange, during the period from June 2018 to May 2020 and from August 2019 to September 2020, respectively.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Wai Hei, aged 63, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee on 14 May 2020.

Mr. Chan graduated from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) in July 1980 with a Diploma in Accounting. Mr. Chan is currently a fellow member of The Institute of Chartered Accountants in England and Wales, a fellow member of The Society of Chinese Accountants and Auditors of Hong Kong, a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Taxation Institute of Hong Kong and a fellow member of The Hong Kong Institute of Directors.

Mr. Chan was the president of The Hong Kong Institute of Accredited Accounting Technicians Limited (which is a wholly-owned subsidiary of the Hong Kong Institute of Certified Public Accountants) from 1992 to 1995. Mr. Chan has over 35 years of experience in accounting and finance. He worked for Messrs. Li, Tang, Chen & Co., Certified Public Accountants (Practicing) since June 1980 and was admitted as a partner from April 1989 until September 2018. He is currently working for Roger K.C. Tou & Co. as a senior consultant.

Mr. Chan is currently an independent non-executive director of Vanke Overseas Investment Holding Company Limited (stock code: 1036), a company listed on the Main Board of the Stock Exchange.

Mr. Tan Yuexin (formerly known as Tan Yuexing), aged 57, was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 17 May 2019.

Mr. Tan served as a project manager, a technical responsible officer, and a vice general manager of Hunan Changda Construction Group Co, Ltd. (湖南長大建設集團股份有限公司) from 1986 to 2001. He has served as the chairman of the board of directors of Hunan Xinyuan Investment Group Co, Ltd. (湖南鑫遠投資集團有限公司) since 2001. Mr. Tan has 30 years of experience in investment and management, covering sectors including real estate, healthcare and elderly care, environmental protection and business operation.

Mr. Jonathan Jun Yan, aged 58, was appointed as an independent non-executive Director and a member of each of the Audit Committee and the Nomination Committee on 14 May 2020.

Mr. Yan was graduated from University of Technology, Sydney with a Master of Management. He previously served as the director of the MBA (Mandarin International) Education Centre of the University of Technology, Sydney from 1998 to 2000, the general manager of Insearch Consulting (Shanghai) Ltd. from 2001 to 2005, and the general manager of Ecole Fashion Consulting (Beijing) Ltd. from 2006 to 2013. He is the director of Global Finance Development Education Center of PBC School of Finance, Tsinghua University since 2013. Mr. Yan is currently an independent director of Haisco Pharmaceutical Group Co. Ltd. and Guangdong Baolihua New Energy Stock Co. Ltd. (all are listed on the Shenzhen Stock Exchange) since January 2017 and May 2019, respectively. Mr. Yan was an independent director of Beijing Shuzhi Technology Co. Ltd. (listed on the Shenzhen Stock Exchange) from September 2018 to April 2020.

Mr. Yan has been an independent non-executive director of Huabao International Holdings Limited (stock code: 336), a company listed on the main board of the Stock Exchange since May 2019.

SENIOR MANAGEMENT

Mr. Sun Qingwei has served as the Chief Operating Officer and member of the Executive Committee of the Company since March 2021. Mr. Sun joined Shandong Hi-Speed Group in 2011 and has held various positions including deputy director of Shandong Hi-Speed Group's office, member of the party committee and deputy general manager of Shandong Hi-Speed Investment Holding Company Limited, with extensive experience in corporate culture, administration and management, finance and investment. Mr. Sun graduated from Wuhan University with a Master's degree in Communication Studies from the School of Journalism and Communication.

Mr. Qin Haodong has served as the vice president of the Company since November 2018, and also vice president of Shandong Tongda Financial Leasing Co., Ltd.*（山東通達金融租賃有限公司）, affiliated to Shandong Hi-Speed Group Co., Ltd. He was previously general manager of the International Business Division, Trade Finance Division and Corporate Banking Division of Weihai City Commercial Bank Co., Ltd., and worked successively in China Construction Bank, Standard Chartered Bank and JPMorgan Chase Bank. Mr. Qin is familiar with businesses including international business, trade finance, investment banking, and transaction banking, from which he has accumulated extensive experience in financial sector and risk management. Mr. Qin obtained a Master of Laws degree from the Law School of Peking University, and is qualified as a practising lawyer in the PRC. He has been appointed as international business expert by the International Chamber of Commerce China Committee ("ICC China") since 2010.

Mr. Lai Jinyu was appointed as the assistant chief executive officer and chief investment officer of the Company in April 2020. Mr. Lai has held various senior management positions at the head office of the Industrial and Commercial Bank of China, the China Securities Regulatory Commission and China Huarong Asset Management Company（中國華融資產管理公司）. He has focused on direct investment and asset management for a long term and has accumulated extensive experience in capital utilization and investment management. Mr. Lai graduated from Peking University Law School with a Master's degree in Financial Law and obtained a PhD in Finance from the City University of Hong Kong.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2020 (the "Reporting Period").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its subsidiaries are financial leasing, money lending, asset management, operation of an asset trading platform, financial investments, financial technology and related financial services. Details of the particulars of principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period and the state of affairs of the Group as at 31 December 2020 are set out in the consolidated financial statements from pages 78 to 243.

The directors of the Company (the "Directors") do not recommend the payment of any dividend for the Reporting Period (2019: Nil).

There are no arrangements under which a shareholder of the Company ("Shareholder") has waived or agreed to waive any dividends.

In order to (i) establish standard procedures/guidelines that the board of Directors (the "Board") shall follow when deciding/proposing the amount of dividend per share; (ii) reward the Shareholders by sharing part of its profits/gains, while ensuring that sufficient funds are reserved for the Company's future development; and (iii) maintain a balance between the dividend income of Shareholders and the long term capital appreciation of all stakeholders of the Company, the Board adopted a dividend policy on 30 December 2019 (the "Dividend Policy"). According to the Dividend Policy, when determining whether to declare any dividend in the future and the amount of dividend to be declared, the Company shall consider a number of factors, including but not limited to:

(a) the actual and expected financial results of the Group;

(b) the retained earnings and distributable reserves of the Group;

(c) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(d) funds available from the bank facilities of the Group;

(e) any restrictions on dividend distributions arising from any agreements;

(f) the liquidity position of the Group;

(g) the overall economic situation, the business cycle of the Group's business, and internal or external factors that may affect the Group's business operations, financial performance and positioning;

(h) tax considerations;

(i) the historical level of dividends paid;

(j) relevant laws and regulations; and

(k) any other factors that the Board considers relevant.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration and payment of dividends by the Company shall comply with applicable laws and regulations, including the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Bermuda Companies Act, and the bye-laws of the Company (the "Bye-laws"). The recommendation of the dividends by the Company shall be determined at the sole discretion of the Board, but any declaration of annual dividend for the financial year ended of the Company will be subject to the approval by the Shareholders at the general meeting of the Company. The Board will review the Dividend Policy from time to time, and may update, modify and/or change this policy at its sole discretion at any time when it considers appropriate and necessary.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 244. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the section headed "Management Discussion and Analysis" from pages 8 to 26 of this annual report. That discussion forms part of this report of the Directors.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 33 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the Reporting Period or subsisting at the end of the Reporting Period are set out below:

Share Options

The Company operates a share option scheme (the "Share Option Scheme") adopted by way of an ordinary resolution passed on 18 August 2014 at the annual general meeting of the Company, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following table discloses movements in the Company's share options during the Reporting Period:

		Number of share options								
Category/ Name of participant	Date of grant	Outstanding as at 01.01.2020	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Cancelled during the reporting period	Outstanding as at 31.12.2020	Vesting period	Validity period of share options	Exercise price of share option (HK$) per share
Consultant										
Yau Wai Lung	05.12.2014	169,400,000	–	–	–	–	169,400,000	–	05.12.2014 to 04.12.2024	0.42
Total		169,400,000	–	–	–	–	169,400,000			

No share option has been granted under the Share Option Scheme during the Reporting Period.

Further details of the Share Option Scheme are set out in note 35 to the consolidated financial statements.

Save as disclosed above, no equity-linked agreements were entered into by the Company that have, will or may result in the Company issuing Shares or require the Company to enter into any agreements that will or may result in the Company issuing Shares during the Reporting Period or subsisted at the end of the Reporting Period.

PROFIT GUARANTEE

Profit guarantee in respect of the acquisition of 100% issued share capital in China Shandong Hi-Speed Hong Kong Leasing Limited

Pursuant to the sale and purchase agreement dated 8 April 2015 (as supplemented on 29 July 2015) (the "S&P Agreement"), the Company completed the acquisition of China Shandong Hi-Speed Hong Kong Leasing Limited (formerly known as Hong Kong Leasing Limited) ("Hong Kong Leasing") from China Hover Dragon Group Limited and Mr. Gao Chuanyi (collectively the "Vendors") on 1 September 2015 at the base consideration of HK$1,558,334,000, which was settled by the allotment and issuance of 2,361,112,121 Shares. There was an arrangement of profits guarantee given by the Vendors that if the audited net profits after tax of the relevant year of Hong Kong Leasing is less than the guaranteed amounts (as disclosed below), the base consideration for the acquisition shall be reduced by way of repurchase by the Company of part of the consideration shares.

Relevant year	Guaranteed Amount
1 September 2015 to 31 August 2016 ("1st Year")	HK$100,000,000
1 September 2016 to 31 August 2017 ("2nd Year")	HK$200,000,000

Further details are set out in the Company's announcements dated 10 April and 2 September 2015 respectively and the circular dated 30 July 2015.

The profit guarantee was met and there was no adjustment for the 1st Year. For the 2nd Year, the audited net profits after tax as shown in audited consolidated accounts for the period from 1 September 2016 to 31 August 2017 of Hong Kong Leasing was less than HK$200,000,000, the Vendors were obligated to sell 1,213,939,394 consideration Shares, as calculated using the formula as stipulated in the S&P Agreement, to the Company at nil consideration.

In light of the above, the Company had issued letters to the Vendors and their guarantors to demand, among others, for execution of the procedure for repurchase of the subject shares. The Company had issued a stop notice pursuant to the Rules of High Court to stop the transfer of the subject Shares and payment of dividend. Nevertheless, neither the Vendors nor the guarantors have fulfilled their obligations under the S&P Agreement. Therefore, the Company has commenced legal proceedings against the Vendors and their guarantors. Further details of the aforesaid legal proceedings are set out in note 45 to the consolidated financial statements.

Profit guarantee in respect of the acquisition of 60% issued share capital of Kun Peng International Limited

On 29 December 2017, Coastal Silk Limited ("Coastal Silk"), a subsidiary of the Company, entered into a share transfer and subscription agreement (the "Share Purchase Agreement") with Honesta Investment Limited ("Honesta Investment"), Kun Peng International Limited ("Kun Peng") and Mr. Hua Meng ("Mr. Hua"), pursuant to which, among others, (i) Coastal Silk agreed to subscribe for, and Kun Peng agreed to allot and issue, 12,500 new shares in Kun Peng; and (ii) Honesta Investment agreed to sell, and Coastal Silk agreed to purchase, 25,000 shares in Kun Peng. As part of the consideration for the transaction under the Share Purchase Agreement, the Company allotted and issued to Honesta Investment 363,065,565 shares in the Company (the "Consideration Shares"), and the transaction contemplated under the Share Purchase Agreement was completed on 26 March 2018. Pursuant to the terms under the Share Purchase Agreement, among others, Honesta Investment and Mr. Hua jointly and severally agreed that the minimum distributable operating net profit (the "Minimum Net Profit") of Shenzhen Cashlai Financial Information Services Co. Ltd. (深圳錢來網金融信息服務有限公司) and Shenzhen Qianhai Honesta Asset Management Company Ltd. (深圳前海厚生資產管理有限公司) (together, the "Relevant Companies") for the years stated below shall not be less than the amount set out in the table below:

Relevant year	Minimum Net Profit
1 January 2018 to 31 December 2018	RMB32,270,000
1 January 2019 to 31 December 2019	RMB58,170,000
1 January 2020 to 31 December 2020	RMB95,700,000
Total	**RMB186,140,000**

According to the unaudited financial statements of the Relevant Companies, the distributable operating net profit of the Relevant Companies (the "Net Profit") for the year ended 31 December 2018 amounted to approximately RMB2,610,000 and the Relevant Companies recorded net loss of approximately RMB5,723,000 for the year ended 31 December 2019, which fell below the respective Minimum Net Profit for the year ended 31 December 2018 and the year ended 31 December 2019. Accordingly, the shortfall between the Net Profit for the year ended 31 December 2018 and the Minimum Net Profit for the year ended 31 December 2018 is approximately RMB29,660,000 and the relevant shortfall for the year ended 31 December 2019 would be the entire amount of the Minimum Net Profit for the year ended 31 December 2019 (i.e. RMB58,170,000) given that a net loss was recorded for the year ended 31 December 2019. Pursuant to the Share Purchase Agreement, in the event that Kun Peng failed to achieve the above total Minimum Net Profit for the three financial years ended 31 December 2020, the Company would buy back a certain number of the Consideration Shares at nil consideration upon determination of the total Net Profit for such years. Such number of Consideration Shares to be bought back shall be calculated in accordance with the following formula:

$$\text{Number of Consideration Shares to be bought back} = \frac{\text{Hong Kong dollar equivalent of (RMB186,140,000 – actual total Net Profit for the three years ending 31 December 2020)}}{\text{Allotment price of each Consideration Share (i.e. HK\$0.3295)}}$$

, provided that the maximum number of Consideration Shares to be bought back shall be the number of Consideration Shares which are still subject to the lock-up arrangement as set out in the Share Purchase Agreement (the "Lock-Up Arrangement"). Further details are set out in the Company's announcements dated 29 December 2017 and 26 March 2018.

In respect of the non-fulfilment of the Minimum Net Profit of the Relevant Companies for the years ended 31 December 2018, 2019 and 2020, Honesta Investment, Mr. Hua, and the Group entered into a supplemental deed to the Share Purchase Agreement (the "Supplemental Deed") on 3 August 2020, pursuant to which:

(a) the parties agreed and acknowledged that no Consideration Share had been released from the lock-up arrangement as set out in the Share Purchase Agreement and the actual total net profit for the three years ended 31 December 2020 should be zero for the purpose of calculating the Consideration Shares to be bought back;

(b) the parties agreed that the Company would buy back, and Honesta Investment would transfer, 363,065,565 Consideration Shares (i.e. all the Consideration Shares which were still subject to the Lock-Up Arrangement) at nil consideration pursuant to the Share Purchase Agreement (the "Share Buy-back"); and

(c) the parties agreed to accelerate the Share Buy-back to any earlier date after the execution of the Supplemental Deed, instead of the issue date of the financial statements of the Relevant Companies for the financial year ended 31 December 2020.

The Share Buy-back was conducted on 3 August 2020 and the Consideration Shares bought back under the Share Buy-back were cancelled by the Company accordingly during the year ended 31 December 2020. Details of the share buyback are set out in the Company's announcements dated 3 August 2020 and disclosed in note 33 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at 31 December 2020 are set out in note 30 to the consolidated financial statements.

ISSUE OF DEBENTURES

On 15 January 2019, Coastal Emerald Limited, an indirect wholly-owned subsidiary of the Company, issued 5.95% guaranteed bonds due 2020 (the "Original Bonds") in an aggregate principal amount of US$550,000,000 to professional investors to raise funds for refinancing and general corporate purposes. The Original Bonds are guaranteed by the Company.

On 20 February 2019, Coastal Emerald Limited further issued 5.95% guaranteed bonds, which are guaranteed by the Company, in the principal amount of US$50,000,000 to professional investors. Such bonds were consolidated and formed a single series with the Original Bonds.

After deducting the issuance costs, the Group received net proceeds of approximately US$548,625,000 and approximately US$49,807,000 from the issuance of the series of the Original Bonds.

On 25 July 2019, Coastal Emerald Limited issued of 4.30% guaranteed bonds, which are guaranteed by the Company, in an aggregate principal amount of US$100,000,000 to professional investors to raise funds for refinancing and general corporate purposes.

On 1 August 2019, Coastal Emerald Limited issued of 3.95% guaranteed bonds, which are guaranteed by the Company, due 2022 and 4.30% guaranteed perpetual securities in an aggregate principal amount of US$500,000,000 and US$900,000,000. The Group intends to use the proceeds from issuance of guaranteed bonds and perpetual securities for refinancing and general corporate purposes.

After deducting the issuance costs, the Group received net consideration of approximately US$97,852,000, US$498,036,000 and US$896,183,000 from the issuance of the above bonds and perpetual securities.

On 3 June 2020, Coastal Emerald Limited issued 3.80% guaranteed bonds, which are guaranteed by the Company, due 2021 in an aggregate principal amount of US$800,000,000 to professional investors to raise funds for refinancing and general corporate purposes.

On 16 September 2020, Coastal Emerald Limited issued 3.80% guaranteed bonds, which are guaranteed by the Company, due 2021 in an aggregate principal amount of US$50,000,000 to a professional investor to raise fund for refinancing and general corporate purposes.

After deducting the issuance costs, the Group received net consideration of approximately US$798,669,000 and US$50,000,000 from the issuance of the above bonds.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") or the laws of Bermuda which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Shares.

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of approximately HK$1,524,577,000 may be distributed under certain circumstances. Other than the contributed surplus, the Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 as at 31 December 2020. In addition, the Company's share premium account of approximately HK$4,595,304,000 as at 31 December 2020 may be distributed in the form of fully paid bonus Shares. Details of the share premium account and reserves are set out in note 46 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the Group's largest customer and five largest customers accounted for 5.73% and 17.28% of the Group's revenue, respectively. The Group had insignificant amount of purchases. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers. At no time during the Reporting Period had the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Director and Chairman

Mr. Wang Xiaodong

Executive Director and Vice-Chairman

Mr. Liu Han

Executive Directors

Mr. Liu Honghui*
Mr. Liu Zhijie
Mr. Liu Yao
Ms. Liao Jianrong#

Non-Executive Directors

Mr. Liang Zhanhai*
Mr. Chen Di*
Mr. Gao Guicheng*
Dr. Lam Lee G.#
Mr. Qiu Jianyang#
Mr. Lo Man Tuen#

Independent Non-Executive Directors

Mr. Guan Huanfei
Mr. Chan Wai Hei*
Mr. Tan Yuexin
Mr. Jonathan Jun Yan*
Mr. To Shing Chuen#
Mr. Cheung Wing Ping#

* Appointed on 14 May 2020
\# Resigned on 14 May 2020

In accordance with bye-law 99(B) of the Bye-laws of the Company four Directors, namely Mr. Wang Xiaodong, Mr. Liu Honghui, Mr. Liu Yao and Mr. Tan Yuexin, shall retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The full biographical details including the changes in information of the Directors pursuant to Rule 13.51B(1) of the Listing Rules and the senior management of the Company have been set out from pages 27 to 31 of this annual report subsequent to specific enquiry by the Company and following confirmation from the Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and as at the date of this report still considers that all of them to be independent.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2020, none of the Directors 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.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Material Related Party Transactions" in note 38 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party, and in which a Director or an entity connected with a Director has a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

COMPETING INTERESTS

As at 31 December 2020, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

MANAGEMENT CONTRACTS

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

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed under the section headed "Material Related Party Transactions" in note 38 to the consolidated financial statements, neither the Company nor any of its subsidiaries has entered into any contract of significance with a controlling Shareholder or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

CONNECTED TRANSACTIONS

To the best knowledge of the Directors, none of the related party transactions disclosed under the section headed "Material Related Party Transactions" in note 38 to the consolidated financial statements constitute a connected transaction or continuing connected transaction as defined under the Chapter 14 of the Listing Rules that is required to be disclosed.

CONTRACTUAL ARRANGEMENTS

On 26 March 2018, the acquisition and subscription of a total of 60% issued shares in Kun Peng was completed. Kun Peng, through Honesta Consultancy Management (Shenzhen) Company Limited* (厚生諮詢管理(深圳)有限公司)("Honesta Consultancy Management") (its indirect wholly-owned subsidiary), controls the operation of Shenzhen Honesta New Finance Holding Company Ltd.* (深圳厚生新金融控股有限公司)("Honesta New Finance"), a company incorporated in the PRC, its subsidiaries and invested entities by way of entering into a number of contracts i.e., the exclusive business cooperation agreement, the exclusive option agreements, the equity pledge agreements, the director's power of attorney, the shareholder's power of attorney, the spouse consent letter and other ancillary documents relating to the contractual arrangements thereunder (collectively the "Structured Contracts") and the registered shareholders (the "VIE structure").

The major terms of the Structured Contracts are set out in note 4 to the consolidated financial statements.

(i) VIE Structure

Honesta New Finance, its subsidiaries and invested entities (collectively the "Structured Entities") are principally engaged in, inter alia, securities investment management, conducting electronic commerce, provision of financial intermediary service through the internet, market research, internet culture operation (collectively the "Restricted Business"), all of which are subject to foreign ownership restrictions under the laws of the PRC. According to the PRC legal advisers, (i) the businesses of securities investment management shall be controlled by PRC persons, (ii) the businesses of electronic commerce, provision of financial intermediary service through the internet and market research are subject to foreign investment restrictions and (iii) the business of internet culture operation is subject to foreign investment prohibition.

Honesta New Finance is owned by Mr. Hua Meng* (華猛), Mr. Guo Yong* (郭勇), Mr. Cheng Xiaoxin* (程小新)and Shenzhen Honesta Letou Number 8 Investment Management Limited Partnership* (深圳厚生樂投八號投資管理企業(有限合夥))as to 30%, 30%, 19% and 21% respectively.

The Company considers that numerous subsidiaries and associates of Honesta New Finance and the Company can together generate synergies, which will create favourable conditions for the Company's development. Alpha Media (Shenzhen) Company Ltd* (阿爾法傳媒(深圳)有限公司) ("Alpha Media"), one of the associates of Honesta New Finance, can connect the Company with online media, which can assist the Company in exploring business opportunities pertaining retail clients inside and outside the PRC.

(ii) Reasons for using the VIE Structure

The Directors are of the view that the Structured Contracts are narrowly tailored as they are used to enable the Group to invest in businesses that operate in industries that are subject to foreign investment restrictions in the PRC. The Company would unwind the Structured Contracts as soon as the relevant laws and regulations allow the Restricted Businesses to be conducted in the PRC to be operated by foreign investors without adopting the contractual arrangement structure.

(iii) Significance and financial contribution of the Structured Entities to the Group

The Board considers the Structured Entities as significant to the Group as they held the relevant licenses to conduct the Restricted Business.

The Structured Entities recorded revenue and net loss of approximately HK$112 million and HK$217 million for the Reporting Period.

As at 31 December 2020, the Structured Entities recorded total assets of approximately HK$464 million, total liabilities of approximately HK$624 million, and therefore net liabilities of approximately HK$160 million.

(iv) Risks and mitigation relating to the VIE Structure

In connection with the VIE Structure, the Group is subject to certain risks and limitations, which are summarized below:

Limitations in exercising the option to acquire ownership in Honesta New Finance

The exercise of the option under the Exclusive Option Agreements to acquire the ownership of Honesta New Finance may be subject to substantial costs, including but not limited to enterprise income tax imposed by the relevant PRC governmental authorities, stamp duties and professional fee.

The PRC government may determine that Structured Contracts are not in compliance with any existing or future applicable PRC laws or regulations

Although the PRC legal advisers of the Company are of the view that the Structured Contracts are not in violation of the relevant PRC laws and regulations, uncertainties still exist regarding the interpretation and application of the PRC laws and regulations.

Up to the date of this report, the Group has not encountered any interference or encumbrance from any governing bodies in operating the business of Honesta New Finance through the Structured Contracts.

Certain provision in the Structured Contracts which may not be enforceable

According to the PRC legal advisers, the provisions regarding the dispute resolution provisions of the Structured Contracts which set forth that the arbitration body may issue injunctions or winding-up orders may be invalid and unenforceable under the PRC laws.

Honesta Consultancy Management relies on the Structured Contracts to control and obtain the economic benefits from Honesta New Finance, which may not be as effective in providing operational control as direct ownership

The Company will have to rely on the rights of Honesta Consultancy Management under the Structured Contracts to effect changes in the management of Honesta New Finance and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If Honesta New Finance or its registered shareholders refuse to cooperate, the Company will face difficulties in effecting control over the operation of business of Honesta New Finance through the Structured Contracts, which may adversely affect the Company's business efficiency.

The registered shareholders of Honesta New Finance may potentially have a conflict of interests with the Group

Conflicts of interest may arise when the interest of the registered shareholders of Honesta New Finance does not align with that of the Company, and the registered shareholders of Honesta New Finance may breach or cause Honesta New Finance to breach the Structured Contracts. If the Company fails to resolve this internally, it may have to resort to dispute resolution. If ultimately the shareholder(s) has/have to be removed, it will be difficult for the Company to maintain investors' confidence in the Structured Contracts.

The contractual arrangements may be subject to scrutiny of the PRC tax authorities

Under the Structured Contracts, Honesta New Finance is required to pay Honesta Consultancy Management a service fee for the services rendered by Honesta Consultancy Management. Such service fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities.

The Company does not have any insurance which covers the risks relating to the Structured Contracts and the transactions contemplated thereunder

Any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Honesta New Finance, the results of the Group may be adversely affected.

Mitigation

The Group continuously monitors the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group has implemented relevant internal control measures to reduce the operational risk.

(v) Material changes

During the Reporting Period, there was no material change in the Structured Contracts and/or the circumstances under which they were adopted.

(vi) Unwinding or termination of the Structured Contracts

Up to 31 December 2020, none of the Structured Contracts has been unwound or terminated.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Bye-laws, every Director, auditor, secretary or other officers of the Company and every agent or employee of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he/she may sustain or incur in or about the execution and discharge of his/her duties or in relation thereto. Such permitted indemnity provision is currently in force and was in force throughout the Reporting Period.

The Company has arranged for appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2020, none of the Directors and chief executive of the Company was interested in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of Part XV of the SFO; or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any other Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 December 2020, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors and chief executive of the Company, had interests or short positions in the Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Interests or short positions in shares

Name of substantial Shareholders	Nature of interest	Interests in underlying shares/ equity derivatives	Total number of shares interested	Percentage of the total number of issued shares as at 31 December 2020 *(Note 5)*
Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司) *(Note 1)*	Interest in a controlled corporation	–	10,459,648,350	43.42%
Shandong Hi-Speed (BVI) Capital Management Limited *(Note 1)*	Interest in a controlled corporation	–	5,459,648,350	22.66%
Shandong Hi-Speed (Hong Kong) International Capital Limited *(Note 1)*	Beneficial owner	–	5,459,648,350	22.66%
Shandong Rural Economic Development and Investment Company Limited* (山東省農村經濟開發投資公司) *(Note 1)*	Interest in a controlled corporation	–	5,000,000,000	20.76%
Shandong International (Hong Kong) Limited *(Note 1)*	Beneficial owner	–	5,000,000,000	20.76%
China Credit Trust Co., Ltd. *(Note 2)*	Interest in a controlled corporation	–	6,846,686,000	28.42%
Harvest Fund Management Co., Ltd. *(Note 2)*	Interest in a controlled corporation	–	6,846,686,000	28.42%

Name of substantial Shareholders	Nature of interest	Interests in underlying shares/ equity derivatives	Total number of shares interested	Percentage of the total number of issued shares as at 31 December 2020 *(Note 5)*
Harvest Global Investments Limited *(Note 2)*	Interest in a controlled corporation	–	6,846,686,000	28.42%
Harvest Alternative Investment Group Limited *(Note 2)*	Interest in a controlled corporation	–	6,846,686,000	28.42%
Harvest Alternative Investment Opportunities SPC for and on behalf of Harvest High Speed Fund SP *(Note 2)*	Interest in a controlled corporation	–	6,846,686,000	28.42%
JS High Speed Limited *(Note 2)*	Beneficial owner	–	6,846,686,000	28.42%
Tai Fung Bank Limited *(Note 3)*	Security interest	–	6,846,686,000	28.42%
Haitong Securities Co., Ltd. *(Note 4)*	Interest in a controlled corporation	–	1,215,048,516 1,215,048,516(S)	5.04% 5.04(S)
Haitong International Holdings Limited *(Note 4)*	Interest in a controlled corporation	–	1,215,048,516 1,215,048,516(S)	5.04% 5.04(S)
Haitong International Securities Group Limited *(Note 4)*	Interest in a controlled corporation	–	1,215,048,516 1,215,048,516(S)	5.04% 5.04(S)
Haitong International (BVI) Limited *(Note 4)*	Interest in a controlled corporation	–	1,215,048,516 1,215,048,516(S)	5.04% 5.04(S)
Haitong International Asset Management (HK) Limited *(Note 4)*	Investment Manager	–	1,215,048,516 1,215,048,516(S)	5.04% 5.04(S)

Notes:

1. Shandong Hi-Speed (Hong Kong) International Capital Limited was wholly owned by Shandong Hi-Speed (BVI) Capital Management Limited, which was in turn wholly owned by Shandong Hi-Speed Group Co., Ltd.*（山東高速集團有限公司）. Shandong International (Hong Kong) Limited was wholly owned by Shandong Rural Economic Development and Investment Company Limited*（山東省農村經濟開發投資公司）, which was in turn wholly owned by Shandong Hi-Speed Group Co., Ltd*.（山東高速集團有限公司）.

2. JS High Speed Limited was wholly owned by Harvest Alternative Investment Opportunities SPC for and on behalf of Harvest High Speed Fund SP, which was in turn wholly owned by Harvest Alternative Investment Group Limited. Harvest Alternative Investment Group Limited was wholly owned by Harvest Global Investments Limited, which was in turn wholly owned by Harvest Fund Management Co., Ltd., which 40% interest was owned by China Credit Trust Co., Ltd.

3. Tai Fung Bank Limited as chargee had security interest in those 6,846,686,000 shares under a share charge with JS High Speed Limited as chargor.

4. Haitong International Asset Management (HK) Limited was wholly-owned by Haitong International (BVI) Limited, which was in turn wholly-owned by Haitong International Securities Group Limited. Haitong International Securities Group Limited was owned as to 64.40% by Haitong International Holdings Limited, which was in turn wholly-owned by Haitong Securities Co., Ltd.

5. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 24,089,384,437 shares as at 31 December 2020.

6. (S) – Short position.

* *The English translation of terms or names in Chinese which are marked with "*" is for identification purpose only.*

Save as disclosed above, the Company had not been notified of any other corporation or individual (other than a Director or the chief executive of the Company) which/who had 5% or more interests (whether directly or indirectly) or short positions in the shares or underlying shares as recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 December 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITORS

Reference is made to the announcement of the Company dated 31 July 2020. During the Reporting Period, HLB Hodgson Impey Cheng Limited has resigned as the auditors of the Group with effect from 31 July 2020 and appointed Crowe (HK) CPA Limited to fill the causal vacancy following the resignation of HLB Hodgson Impey Cheng Limited and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

Crowe (HK) CPA Limited will retire and a resolution will be proposed at the forthcoming annual general meeting for appointing Crowe (HK) CPA Limited as the new auditors of the Company to hold office until the conclusion of the next annual general meeting.

CHANGES IN INFORMATION OF DIRECTOR(S)

The changes in information of Director(s) since the publication of 2020 interim report of the Company are as follows:

Name of Director(s)	Details of change(s)
Guan Huanfei	Appointed as an independent non-executive director of Shanghai Zendai Property Limited, whose shares are listed on the Main Board of the Stock Exchange with stock code: 755 with effect from 11 January 2021.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

ON BEHALF OF THE BOARD

Wang Xiaodong
Executive Director and Chairman

Hong Kong
23 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of corporate governance since a high standard of corporate governance can help uplifting confidence of both shareholders and potential investors of the Company. In this regard, the Company aims at fully comply with regulatory requirements based on the principles and code provisions (the "Code Provision(s)") as set out in the *Corporate Governance Codes and Corporate Governance Report* ("CG Codes") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year ended 31 December 2020 (the "Reporting Period"), the Company has complied with the CG Codes except for the deviations disclosed and explained in this report. The Company continues to review and update the current corporate governance from time to time to achieve a better level of corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* set out in Appendix 10 issued by the Stock Exchange with partially revised (the "Model Code") as its own code on 30 December 2019. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

BOARD OF DIRECTORS

The board of Directors (the "Board") provides leadership and guidance to the Group's activities, which assumes the Board's primary responsibility to make major decision such as composition and remuneration of the Board and senior management, approval of notifiable and connected transactions, selection of auditors, and strategic decisions in relation to the Group's business. The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All Directors should make decisions objectively in the interests of the Company and the Shareholders as a whole. In addition, the Board has established four Board committees (the "Board Committees"), namely, the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the executive committee (the "Executive Committee"). The Board can carry out its power either directly or delegate various responsibilities to the Board Committees. The Board has also delegated the power to oversee and make decisions on the daily operational matters of the Group to the management of the Company under the supervision of the Board and/or the Executive Committee.

Board Composition

As at 31 December 2020 and up to the date of this report, the Board composition is as follows:

Executive Director and Chairman

Mr. Wang Xiaodong

Executive Director and Vice-Chairman

Mr. Liu Han

Executive Directors

Mr. Liu Honghui
Mr. Liu Zhijie
Mr. Liu Yao

Non-Executive Directors

Mr. Liang Zhanhai
Mr. Chen Di
Mr. Gao Guicheng

Independent Non-Executive Directors

Mr. Guan Huanfei
Mr. Chan Wai Hei
Mr. Tan Yuexin
Mr. Jonathan Jun Yan

Pursuant to Code Provision A.4.2 of the CG Codes and Bye-law 99(B) of the bye-laws of the Company (the "Bye-laws"), each of Mr. Wang Xiaodong, Mr. Liu Honghui, Mr. Liu Yao and Mr. Tan Yuexin will retire from office by rotation and be eligible for re-election as Directors at the forthcoming annual general meeting of the Company.

Biographical details of all Directors are set out from pages 27 to 31 of this report. The roles and functions of the Board Committees are published on the websites of the Stock Exchange and the Company. The members of the Board are experienced individuals having a mix of core competencies in areas of accounting and finance, business management, law, industry knowledge and marketing strategies. The mix of professional skills and experience of the independent non-executive Directors (the "INEDs") is an important element in the proper functioning of the Board. Their participation in Board and committee meetings brings independent judgment and helps to ensure that adequate checks and balances are provided and that the interests of all shareholders of the Company (the "Shareholders") are taken into account. To ensure the Board is in a position to exercise its power in an informed manner, all members of the Board have full and timely access to all relevant information and may take independent professional advice at the Company's expense if necessary. The Company has established the *Procedures for Directors to Seek Independent Professional Advice* on 30 December 2019 to ensure that the Directors can effectively perform their specific duties and need not to bear extra financial expenses for obtaining opinions from independent professional advisors.

Board Diversity Policy

The Board has adopted the *Board Diversity Policy* on 1 September 2013 and last revised on 28 March 2019 with an aim to set out the approach to achieve diversity of the Board. In determining the composition of the Board, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates is based on a range of diverse perspectives, including but not limited to gender, race, age, disability, nationality, cultural and background family status, educational background and professional qualification.

The Company has complied with rules 3.10 (1) and (2) of the Listing Rules in maintaining at all times sufficient number of INEDs on the Board including INEDs with professional accounting and financial qualifications. The Company has complied with rule 3.10A and has INEDs representing at least one-third of the Board. The Company has received from each INED an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules and therefore all INEDs are considered independent.

To the best knowledge of the Board, as at 31 December 2020, none of the Directors had any financial, business, family or other material/relevant relationships with each other.

Board Practice

During the Reporting Period, a total of 11 Board meetings and 1 general meeting were held. The attendance of each of the Directors is as follows:

Directors	Attendance Board meetings	Attendance General meeting(s)
Executive Directors		
Mr. Wang Xiaodong	11/11	1/1
Mr. Liu Han	8/11	1/1
Mr. Liu Honghui*	7/7	1/1
Mr. Liu Zhijie	11/11	1/1
Mr. Liu Yao	10/11	1/1
Ms. Liao Jianrong#	3/4	N/A
Non-Executive Directors		
Mr. Liang Zhanhai*	3/7	1/1
Mr. Chen Di*	7/7	1/1
Mr. Gao Guicheng*	4/7	1/1
Dr. Lam Lee G.#	3/4	N/A
Mr. Qiu Jianyang#	3/4	N/A
Mr. Lo Man Tuen#	3/4	N/A
Independent Non-Executive Directors		
Mr. Guan Huanfei	11/11	1/1
Mr. Chan Wai Hei*	7/7	1/1
Mr. Tan Yuexin	10/11	1/1
Mr. Jonathan Jun Yan*	7/7	1/1
Mr. To Shing Chuen#	3/4	N/A
Mr. Cheung Wing Ping#	3/4	N/A

* Appointed on 14 May 2020

\# Resigned on 14 May 2020

The Board meets either in person or through other electronic means of communication to monitor the execution of plans, review the Group's business performance and review financial reporting as well as all other material matters.

All Directors have access to Board paper and related materials, and are provided with adequate information which enables the Board to make informed decisions on the matters to be discussed and considered at the Board meetings. Minutes of Board meetings are kept by the joint company secretaries of the Company (the "Joint Company Secretaries") and are open for inspection at any reasonable time upon reasonable notice by any Director. Any conflict of interest will be declared before a meeting, and in case of conflict of interest which the Board has determined as material, the matter would be dealt with by a physical meeting.

A Directors' and officers' liability insurance for the benefit of the Directors and other officers (including senior management) of the Company was in force during the Reporting Period and up to the date of this report.

Appointment and Re-election of Directors

In compliance with the requirements under the Listing Rules and the Bye-laws, (i) any Director who is appointed to fill a casual vacancy is subject to election by the Shareholders at the first general meeting after appointment; and (ii) all Directors should be subject to retirement by rotation at least once every three years and are eligible for re-election.

During the Reporting Period, each of the non-executive Directors and independent non-executive Directors were appointed for a specific term of three years subject to retirement by rotation as required by the Bye-laws and the Listing Rules.

BOARD'S ACCESS TO INFORMATION

Code Provision C.1.2 of the CG Codes requires the management to 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 duties. During the Reporting Period, the management provided monthly updates to the Board since June 2020. All executive Directors are involved in the daily operation of the Group and are fully aware of the performance, position and prospects of the Company. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board. Therefore, the Company considers that all members of the Board have been given a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details.

DIRECTOR'S CONTINUOUS PROFESSIONAL DEVELOPMENT

Code Provision A.6.5 of the CG Codes stipulates that all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company had received from each of the Directors a confirmation of training they received during the Reporting Period. A summary of such trainings is listed as follows:

Directors	Types of trainings
Executive Directors	
Mr. Wang Xiaodong	I, II
Mr. Liu Han	I, II
Mr. Liu Honghui	I, II
Mr. Liu Zhijie	I, II
Mr. Liu Yao	I, II
Non-Executive Directors	
Mr. Liang Zhanhai	I, II
Mr. Chen Di	I, II
Mr. Gao Guicheng	I, II
Independent Non-Executive Directors	
Mr. Guan Huanfei	I, II
Mr. Chan Wai Hei	I, II
Mr. Tan Yuexin	I, II
Mr. Jonathan Jun Yan	I, II

I: Attending training courses and/or seminars conferences.

II: Reading journals and updates relevant to the Company's business, laws and regulations or Directors' duties and responsibilities.

The Directors are encouraged to participate in continuous professional training that may be required from time to time keeping abreast with the latest changes in relevant laws, regulations and the business environment, to develop and refresh their knowledge and skills.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Pursuant to Code Provision A.2.1 of the CG Codes, the roles of the Chairman and the Chief Executive Officer (the "CEO") should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Wang Xiaodong is the Chairman of the Board.

Since Mr. Mei Weiyi's resignation as CEO, the Company has been actively identifying suitable candidate to fill the vacancy of CEO. Meanwhile, the day-to-day operations of the Group have been delegated to other executive Directors and the management of the Group responsible for different aspects of the Group's business. Decisions of the Company have been made collectively by the executive Directors who execute strategies set by the Board, and senior management of the Company have been responsible for the day-to-day operations of the Group under the supervision of the Board and the executive committee of the Company.

The Company's deviation from Code Provision A.2.1 of the CG Code will be temporary and will cease when a suitable candidate is appointed as our CEO. The Board will review this structure from time to time and will make announcement in accordance with the applicable Listing Rules when a new CEO is appointed by the Group.

During the Reporting Period, the Chairman had held one meeting with the INEDs without the presence of other Directors as required under Code Provision A.2.7 of the CG Codes.

AUDIT COMMITTEE

The Company established the Audit Committee on 8 April 2004. The Audit Committee includes all duties as set out in the Code Provision C.3.3 of the CG Codes and the principal functions of the Audit Committee are, including but not limited to, the followings:

(a) being primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor and any questions of resignation or dismissal of the external auditor; to review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditor the nature and the scope of the audit and reporting obligations before the commencement of the audit; and to develop and implement policy on the engagement of the external auditor(s) to supply non-audit services;

(b) to review the financial information of the Company;

(c) to oversee the Company's financial reporting system, risk management and internal control systems; and

(d) to report to the Board on the matters set out in the CG Codes.

Mr. Chan Wai Hei, the chairman of the Audit Committee, possesses appropriate professional accounting qualifications as required under rule 3.21 of the Listing Rules.

The terms of reference of the Audit Committee were adopted on 28 April 2004 and last revised on 28 March 2019.

During the Reporting Period, individual attendance of each Audit Committee member was as follows:

Audit Committee members	Attendance
Mr. Chan Wai Hei* *(Chairman)*	5/5
Mr. Chen Di*	3/5
Mr. Gao Guicheng*	3/5
Mr. Tan Yuexin	4/6
Mr. Jonathan Jun Yan*	3/5
Mr. To Shing Chuen#	1/1
Mr. Cheung Wing Ping#	1/1
Mr. Guan Huanfei#	1/1

* Appointed on 14 May 2020

\# Ceased on 14 May 2020

During the Reporting Period, the Audit Committee reviewed, including but not limited to, (i) the report from the external auditors regarding their audit on annual financial statements, (ii) the change of auditors of the Company; (iii) the interim financial information, (iv) the internal control review report from an independent advisory firm, and (v) this report on corporate governance practices of the Group.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 8 March 2006. The principal functions of the Remuneration Committee are, including but not limited to, the followings:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and

(c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management by considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group.

The terms of reference of the Remuneration Committee adopted on 8 March 2006 and last revised on 16 May 2018 are consistent with the CG Codes. The Company has established the *Remuneration Policy for Directors and Senior Management* (the "Remuneration Policy") with effect from 30 December 2019 to provide guidelines for the evaluation, determination and review of compensation of directors and senior management of the Company. During the Reporting Period, the Remuneration Committee (i) reviewed the Remuneration Policy for the remuneration of executive Directors and senior management, and (ii) reviewed and made recommendations to the Board on the remuneration packages of the Directors.

During the Reporting Period, individual attendance of each Remuneration Committee member was as follows:

Remuneration Committee members	**Attendance**
Mr. Guan Huanfei* *(Chairman)*	N/A
Mr. Liu Zhijie	2/2
Mr. Liu Honghui*	N/A
Mr. Chan Wai Hei*	N/A
Mr. Tan Yuexin	2/2
Ms. Liao Jianrong#	1/2
Mr. To Shing Chuen#	2/2
Mr. Cheung Wing Ping#	1/2

* Appointed on 14 May 2020

Ceased on 14 May 2020

Remuneration of Senior Management

The remuneration of the senior management for the Reporting Period and up to the date of this report by band is set out below:

	Number of Individuals
Nil – HK$1,000,000	1
HK$1,000,001 – HK$1,500,000	nil
HK$1,500,001 – HK$5,000,000	2

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 12 and 13, respectively, to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 26 March 2012. The principal functions of the Nomination Committee are, including but not limited to, the followings:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and to make recommendations to the Board on the selection of individuals nominated for directorships of the Company;

(c) to assess the independence of independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

New Directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board having regard to the individuals' skills, experience, professional knowledge and time commitments as well as the balance of skills and experience appropriate to the Company's business, are identified and submitted to the Board or Shareholders for approval either to fill vacancies on the Board or to be appointed as additional Directors.

The terms of reference of the Nomination Committee adopted on 26 March 2012 and last revised on 28 March 2019 are consistent with the Code Provisions set out in the Code. The Company has established the *Succession Plan for Directors and Senior Management* with effect from 30 December 2019 to ensure that whenever a Director and senior management member is unable to continue his/her service and leaves a vacancy (whether predictable or unexpected), a new Director or senior management member can be selected and elected in accordance with established procedures to ensure the continuity of the Company's business operations.

During the Reporting Period, the Nomination Committee (i) reviewed the composition of the Board, (ii) assessed the independence of the INEDs, (iii) made recommendation to the Board in relation to the appointments of Directors pursuant to the *Directors Nomination Policy* adopted on 28 March 2019 and (iv) made recommendation to the Board in relation to the re-election of Directors.

During the Reporting Period, individual attendance of each Nomination Committee member was as follows:

Nomination Committee members	**Attendance**
Mr. Wang Xiaodong *(Chairman)*	3/3
Mr. Chen Di*	N/A
Mr. Chan Wai Hei*	N/A
Mr. Tan Yuexin	3/3
Mr. Jonathan Jun Yan#	N/A
Dr. Lam Lee G.#	2/3
Mr. To Shing Chuen#	2/3
Mr. Cheung Wing Ping#	2/3

* Appointed on 14 May 2020

Ceased on 14 May 2020

EXECUTIVE COMMITTEE

The Company has established the Executive Committee since 11 February 2015. Pursuant to the terms of reference adopted by the Board on 11 February 2015, the Executive Committee shall have the powers and authorities of the Board as the Board confers, except certain matters which require Board's approval. The principal function of the Executive Committee is to evaluate and assess the feasibility of new projects and potential transactions. The Joint Company Secretaries are not the secretaries of the Executive Committee. During the Reporting Period, the Executive Committee comprised of all executive Directors and the former CEO, Mr. Mei Weiyi up to his resignation on 14 January 2020 as detailed in the table below.

During the Reporting Period, individual attendance of each Executive Committee member was as follows:

Executive Committee members	**Attendance**
Mr. Wang Xiaodong *(Chairman)*	22/22
Mr. Liu Han *(Vice-Chairman)*	22/22
Mr. Liu Honghui*	16/16
Mr. Liu Zhijie	22/22
Mr. Liu Yao	22/22
Ms. Liao Jianrong#	5/6
Mr. Mei Weiyi^	0/1

* Appointed on 14 May 2020

\# Ceased on 14 May 2020

^ Ceased on 14 January 2020

AUDITORS' REMUNERATION

During the Reporting Period, HLB Hodgson Impey Cheng Limited has resigned as the auditors of the Group with effect from 31 July 2020 and appointed Crowe (HK) CPA Limited to fill the causal vacancy following the resignation of Hodgson Impey Cheng Limited and to hold office until the conclusion of the forthcoming annual general meeting of the Company. Crowe (HK) CPA Limited will retire and a resolution will be proposed at the forthcoming annual general meeting for appointing Crowe (HK) CPA Limited as the new auditors of the Company to hold office until the conclusion of the next annual general meeting and authorising the Board of Directors to fix their remuneration. Fees payable to the Company's external auditors for non-audit service of interim review amounted to approximately HK$150,000.

The audit fee for the Reporting Period was HK$2,450,000.

The Company has established the *Policy on Engaging an External Auditor to Supply Non-Audit Services* with effect from 30 December 2019 which set out guidance for (i) the determination of instances where is appropriate for the existing auditors to provide non-audit services; and (ii) the processes by which non-audit service provision should be governed.

ACCOUNTABILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group that give a true and fair view of the Group's financial position and are in accordance with applicable accounting standards and statutory rules and guidelines. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue on a going concern basis. The statement by the external auditors' of the Company about their reporting responsibilities is set out in the Independent Auditors' Report contained in this annual report. The Board recognises its overall responsibility for the establishment, maintenance and review of a system of internal control that provides reasonable assurance on the reliability and integrity of financial and operational information, effective and efficient operations, safeguarding of assets and compliance with laws and regulations. The system of internal control which is reviewed annually by the Audit Committee is designed to manage rather than to eliminate all risks of failure while its goal is to provide reasonable, not absolute, assurance regarding the achievement of organizational objectives.

RISK MANAGEMENT AND INTERNAL CONTROLS

During the Reporting Period, the Company engaged an independent advisory firm, to perform an internal control review to assess the Group's internal control systems in order to assist the Board in reviewing its effectiveness. The reviews covered the effectiveness of the financial, operational and compliance controls and risk management functions of the Group, with a focus on the core businesses of the Group including the segments in the investment in securities and financial leasing. Relevant report from the independent advisory firm was presented to and reviewed by the Audit Committee and the Board. Based on the results of internal control review for the Reporting Period, recommendations made by the independent advisory firm for further enhancing the internal control systems have been taken. The Board is of the view that the risk management and internal control systems were effective and adequate for the Reporting Period.

During the Reporting Period, the Company has complied with relevant laws by establishing appropriate and effective risk management and internal control systems in accordance with the requirements of the regulatory authorities. The Board acknowledges its responsibility for the risk management and internal control systems (the "Systems") and reviews their effectiveness annually. Such Systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has undertaken the overall responsibility for the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and established and maintained appropriate and effective Systems. Management is responsible for the design, implementation and monitoring of the Systems. The risk management and internal control systems enable the Company to sustainably achieve the Company's objectives, to adapt to the current rapidly changing regulatory environment, market and business, and to manage risks to an acceptable and reasonable level based on the Company's risk appetite.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources, legal affairs management, and compliance with the Listing Rules.

The Company adheres to a sound philosophy of risk management, with commitment to constantly enhancing its risk management standards, continuously improves a comprehensive risk management system, optimizes risk management models and methods, and promotes the awareness of risk management among staffs to ensure the long-term and stable development of the Company.

1. Risk management structure

The Company has made full effort to the establishment of a four-level risk management system consisting of the Board of Directors, management, risk management functions, business department and subsidiaries.

1) The Board

The Board is the highest decision-making body in our risk management structure, ultimately responsible for the overall risk management of the Company.

Under the authority of the Board, the Company established the Executive Committee and the Audit Committee. Among them,

The Executive Committee is primarily responsible for the Company's overall risk appetite and specifies the strategic structure and resources that are used to support the Company's risk management;

The Audit Committee is primarily responsible for supervising the Company's internal control procedures, reviewing the effectiveness of the Company's risk management on a regular basis, and making recommendations on risk management.

2) Management

The management of the Company is responsible for the overall risk management of the Company and they have established a comprehensive risk management committee system to review and approve resolutions on matters relating to risk management.

The main responsibilities of the Risk Management Committee System include:

- Responsible for coordinating the establishment of overall risk management system and reviewing the related systems that are in line with the development of the Company;
- Review and make decision for the setting, adjustment and allocation of risk control limits for various types of the Company's investment business;
- Review the regular risk management reports of the Company;
- Review and make decision for the management of major risk issues in the business activities of the Company;
- Other duties assigned by the Board.

3) Risk control function department

The risk management functions are mainly performed by the Company's Risk Management Department.

The Risk Management Department is primarily responsible for the identification, evaluation, prevention and monitoring of the Company's market risks, credit risks and liquidity risks, as well as promoting the implementation of risk-related resolutions of the Company's management.

The Company's other risk management function departments perform corresponding risk management functions within the scope of responsibilities of each department.

4) Business departments and subsidiaries

The Company's business departments and subsidiaries are the frontline defenders against the Company's risk management, and must bear the frontline responsibility for risk management. The Company establishes corresponding internal management systems based on current business development status and planning to prevent, monitor, evaluate and report on specific business risks. At the same time, each business must be carried out in accordance with the Company's internal procedures and within the scope of its authorisation.

2. Risk management system

Based on its own business characteristics and operation and management standards, the Company promotes the establishment of a sound risk management system, mainly including the Company's Risk Management Principles, and formulates specific risk management practices based on different risk types such as market risks, credit risks and liquidity risks, providing clear guidelines and guiding principles for daily risk management.

3. Measures against various risks

1) Market risks

Market risks refer to those that may cause loss to the Company due to unfavorable changes of market prices, etc. Market price includes but not limited to equity prices, commodity prices, interest rates, and exchange rates. The businesses of the Company that involve market risks mainly include securities investment business such as bond investment and stock investment.

The Company promotes the establishment of a sound market risk management system and conducts business activities involving market risks on the premise that risks are measurable, controllable and bearable. The Company regularly monitors and reports on market risks, conducts special analysis on risk matters to provide basic information and basis for the decision-making of the Management concerning risks.

2) Credit risks

Credit risks refer to those that may cause loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuers, counterparties and debtors. The credit risks currently faced by the Company are mainly concentrated on the area of financial leasing business and debt investments business.

Prior to the launch of the credit risk business, the Company provides principle-based guidance for each business type and establishes a pre-approval system, by conducting a comprehensive review of each project, providing recommendations on risk prevention measures over key risk factors inherent in the project and issuing independent risk assessment reports. Besides, the Company has established project entry requirement, due diligence requirements and requirements on risk control measures, etc., so as to prevent and control credit risk in a comprehensive and full-process manner.

After the launch of the credit risk business, the Company conducts the prevention and control of credit risk by establishing sound post-investment management and risk monitoring and early warning and disposal mechanisms, which mainly include the following aspects: firstly, establish and implement a post-investment management system, assess the risk status of the business on a regular basis and issue post-investment risk reports; secondly, establish post-investment early warning mechanisms; thirdly, establish operational procedures and mechanisms for the internal management of risk matters.

3) Liquidity risks

Liquidity risks refer to those the Company may face when it is not able to obtain sufficient funds in time at reasonable costs to repay debts that are due, meet other payment obligations and satisfy the funding requirements for ordinary business operation.

The Company promotes the establishment of a sound liquidity risk management mechanism and regularly produce evaluation reports. Specific indicators mainly include liquidity coverage ratios.

4) Subsidiaries' risks

Subsidiaries commence business within authorization, and are responsible for establishing an internal management system that matches with their businesses and proactively managing related business risks. At the same time, the Company implements a vertical risk management mechanism for each subsidiary, which requires each of the subsidiaries to report the basic accounting information and risk matters to the Company in a timely manner. The Company adopts the same standard and the same process system to review the same type of business of each business unit, which forms an integrated risk control system.

4. Internal audit

According to the relevant requirements of its internal control, the Company conducts internal audits on its subsidiaries on a regular basis. The specific scope mainly includes conducting independent and objective inspection, supervision, evaluation and suggestions on the rationality of the subsidiaries' business, the security and profitability of assets, the soundness and effectiveness of internal control.

During the year, the Board, supported by the Audit Committee as well as the management report and the internal audit findings prepared by the Risk Management Department, has reviewed the Systems pursuant to relevant laws and regulations and regulatory requirements, including, but not limited to, the financial, operational and compliance controls, and considered that such Systems are effective and adequate for the current financial year. The Board and the Audit Committee believe that the resources, staff qualifications and experience, training programme and budget of the Company's accounting, internal audit and financial reporting functions are adequate during the Reporting Period.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited (e.g. setting up relevant policies and procedures, laying out requirements for proper authorization and approval for the access and use of inside information and providing trainings to directors, officers and employees).

CORPORATE GOVERNANCE FUNCTIONS

The Board, with support from the Audit Committee, are responsible for performing the corporate governance duties as set out below:

- To develop and review the Company's policies and practices on corporate governance and make recommendations;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To review the Company's compliance with the CG Codes and its disclosure requirements in the Corporate Governance Report;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- To review and monitor the training and continuous professional development of Directors.

The Audit Committee has reviewed the Group's policies and practices on corporate governance practices and compliance with legal and regulatory requirements including compliance with the CG Codes for the Reporting Period.

JOINT COMPANY SECRETARIES

Ms. Lam Katrina Lai Kuen was appointed as the company secretary in place of Mr. Tam Chong Cheong with effect from 1 July 2020. Ms. Lam is a Chartered Secretary and Chartered Governance Professional designated as fellow member of both The Chartered Governance Institution (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She holds a Bachelor of Arts degree from The Chinese University of Hong Kong and a Bachelor of Laws degree from The Manchester Metropolitan University, United Kingdom. She has extensive company secretarial experience gained from professional service firms and public companies in Hong Kong.

Mr. Yu Qin was subsequently appointed as a joint company secretary of the Company on 6 July 2020. Mr. Yu is the existing Director of Finance Department of the Company since January 2019. Prior to joining the Group, Mr. Yu had been working for the group of our controlling shareholder, Shandong Hi-Speed Group Co., Ltd.*（山東高速集團有限公司）from July 2009 to October 2018, during which he joint as a financial planning officer of its subsidiary China Shandong International Economic and Technological Cooperation Corporation*（中國山東國際經濟技術合作公司）in July 2009; he further promoted to act as the financial manager (overseas regional headquarters), the assistant to the manager of the financial department and the deputy general manager of the financial department in January 2012, April 2016 and October 2017 respectively. Mr. Yu obtained a bachelor's degree in accounting from Shandong University in July 2009. Mr. Yu has been registered as a certified public accountant with The Chinese Institute of Certified Public Accountants (CICPA) in China since April 2015. Mr. Yu is also a registered member of The Institute of Management Accountants (IMA) in the United States since September 2017. Mr. Yu is selected as high-grade accountant personnel of Shandong province.

The Joint Company Secretaries report to the Board of Directors on Board matters and to the Head of Legal and Compliance on company secretarial and administrative matters. All Directors have access to the advice and services of the Joint Company Secretaries on Board procedures and corporate governance matters as and when required. While Code Provision F.1.3 of the CG Codes states that the Joint Company Secretaries should report to the Board Chairman and/or the Chief Executive, the Board is of the view that the current arrangement shall be maintained for effective performance of the roles and responsibilities of the Joint Company Secretaries.

Each of the Joint Company Secretaries confirmed that he/she has taken no less than 15 hours of the relevant professional training during the Reporting Period.

SHAREHOLDERS' RIGHTS

Shareholders' Enquiries

Shareholders are encouraged to maintain direct communication with the Company. Shareholders who have any questions for the Board, or would like to put forward any proposals in any general meeting, may write directly to the Joint Company Secretaries at the Company's Hong Kong principal place of business at 17th Floor, Agricultural Bank of China Tower, No. 50 Connaught Road Central, Hong Kong, or they may send emails to comsec@csfg.com.hk. The Joint Company Secretaries will direct the questions to the Board.

Shareholders' Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings if they are unable to attend in person.

The procedure of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

Board members, in particular, members of Board committees, appropriate management executives and the external auditors will attend annual general meetings to answer Shareholders' questions.

Pursuant to the bye-law 57 of the Bye-laws, the Directors may, whenever they think fit, convene a special general meeting. A special general meeting shall also be convened on the written requisition of any 2 or more members holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Company's registered office. If the Directors do not within 21 days from the date of the deposit of such requisition proceed duly to convene a special general meeting, the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them may convene the special general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene such a meeting shall be reimbursed to them by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has established the *Shareholders Communication Policy* with effect from 30 December 2019 to promote effective communication among shareholders of the Company, to ensure that shareholders exercise their rights in an informed manner, and to enable investors to obtain information on the Company in a fair and timely manner.

The Company aims to maintain good relationships with Shareholders and investors, and to enhance the transparency of its business operations. The Company disseminates information in respect of its business operations to investors and Shareholders through publishing interim reports, annual reports and circulars that are sent to Shareholders in hard copy. These and other information, such as announcements of the Company, can also be found on the websites of the Company and the Stock Exchange respectively.

INVESTOR RELATIONS

Constitutional Documents

During the Reporting Period and up to the date of this report, the Company's constitutional documents have not been amended.

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

To the Shareholders of China Shandong Hi-Speed Financial Group Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Shandong Hi-Speed Financial Group Limited and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 243, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

OTHER MATTER

The consolidated financial statements for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2020.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of finance lease receivables, loans receivables and trade and other receivables	
Refer to notes 23, 24 and 25 to the consolidated financial statements As at 31 December 2020, the carrying amounts of finance lease receivables, loans receivables and trade and other receivables were approximately HK$1,306,626,000, HK$3,336,282,000 and HK$933,805,000 respectively. Accumulated impairment loss of approximately HK$1,499,340,000, HK$216,981,000 and HK$386,166,000 was provided for finance lease receivables, loans receivables and trade and other receivables respectively. During the year ended 31 December 2020, impairment loss of approximately HK$ 987,074,000, HK$131,045,000 and HK$71,550,000 was provided for finance lease receivables, loans receivables and trade and other receivables respectively. Management applied judgment in assessing the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit loss experience and are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. We identified the impairment assessment of finance lease receivables, loans receivables and trade and other receivables as a key audit matter due to the magnitude of the finance lease receivables, loans receivables and trade and other receivables and the estimation and judgement involved in determining the expected credit losses allowance of the finance lease receivables, loans receivables and trade and other receivables.	Our procedures in relation to management's impairment assessment of finance lease receivables, loans receivables, and trade and other receivables included, but were not limited to: • Understanding and validating the credit control procedures performed by management, including its procedures on periodic review of aged receivables and assessment on expected credit losses allowance of receivables; • Testing on a sample basis, the accuracy of ageing profile of receivables by checking to the underlying agreements; • Testing on a sample basis, the subsequent settlement of receivables against bank receipts; and • Obtaining management's assessment on the expected credit losses allowance of receivables. Corroborating and validating management's assessment based on the historical settlement pattern, correspondence with the customers, evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers and market research regarding the relevant forward-looking information used in management's assessment.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of level 3 financial instruments	
Refer to note 40 to the consolidated financial statements The financial assets at fair value through other comprehensive income ("FVTOCI") and financial assets at fair value through profit or loss ("FVTPL") classified as level 3 under the fair value hierarchy ("Level 3 Financial Instruments"), amounted to approximately HK$1,551,257,000 and HK$1,652,100,000 respectively as at 31 December 2020. For the year ended 31 December 2020, the net fair value losses on level 3 financial assets at FVTOCI is approximately HK$31,617,000 and the net fair value gains on level 3 financial assets at FVTPL is approximately HK$32,319,000. In determining the fair values of Level 3 Financial Instruments, the Group engages independent professional valuers to perform valuation of the aforesaid Level 3 Financial Instruments. We identified the valuation of the aforesaid Level 3 Financial Instruments as a key audit matter due to the degree of complexity involved in valuing the financial assets, the significance of the judgment and estimates made by the management in determining the inputs used in the valuation models and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data.	Our procedures in relation to valuation of Level 3 Financial Instruments included, but were not limited to: Obtaining an understanding of the valuation techniques and the processes performed by the independent professional valuers and the management's review process of the work of the independent professional valuers with respect to the valuation of Level 3 Financial Instruments. Evaluating the competence, integrity and independence of the independent professional valuers; and their experience in conducting valuation of similar financial instruments. Obtaining the respective independent valuation reports and discussed with management about the valuation of the Level 3 Financial Instruments, and together with our own internal valuation specialists, where necessary: • reviewing the appropriateness of the valuation techniques and assumptions based on the industry knowledge; • testing the appropriateness of the key inputs by independently checking to the relevant external market data and/or relevant historical financial information; and • inquiring and assessing the rationale of the management's judgment on the key inputs.

KEY AUDIT MATTERS (continued)

Key audit matter

Impairment assessment of the carrying amount of goodwill and intangible assets

Refer to note 19 to the consolidated financial statements

The Group has intangible assets including trading right, license, computer software and goodwill with carrying amounts of approximately HK$500,000, HK$435,541,000, HK$44,674,000 and HK$792,880,000 as at 31 December 2020 respectively, which are allocated to the cash-generating unit ("CGU") included in financial leasing segment, financial technology segment, investment in securities segment and unallocated segment.

In determining the recoverable amounts of goodwill and intangible assets, the Group engaged the independent professional valuers to perform such valuation. The valuation is determined based on the cash flow projection/value-in-use model for the CGU discounted to their present values and it requires the use of key assumptions, including the discount rate, terminal growth rate and gross margin, taking into account the financial budgets approved by the directors of the Company based on the management's experience from the financial leasing segment and financial technology segment, and also management's expectations for the market development. During the year ended 31 December 2020, impairment loss of approximately HK$23,507,000 and HK$50,985,000 had been recognised on goodwill for Hong Kong Leasing Group CGU and Kun Peng Group CGU respectively and impairment loss of approximately HK$2,265,000 had been recognised on computer software. No impairment on other goodwill and intangible assets was recognised to profit or loss.

We identified the impairment assessment of goodwill and intangible assets as a key audit matter due to its complexity and the inherent subjectivity arising from the significant management judgment.

How our audit addressed the key audit matter

Our procedures in relation to the management's impairment assessment of the carrying amount of goodwill and intangible assets included, but were not limited to:

Evaluating the competence, capabilities and objectivity of the independent professional valuer engaged by the management;

Understanding the Group's impairment assessment process, including the valuation model adopted and the key assumptions used and the involvement of independent professional valuer appointed by the Group;

Evaluating the appropriateness of valuation model adopted and the key assumptions used;

Evaluating the historical accuracy of the cash flow forecasts prepared by the management by comparing the historical cash flow forecast with the actual performance;

Evaluating the reasonableness and arithmetic accuracy of free cash flow and discount rate adopted in the valuation model with the assistance from our internal valuation experts; and

Evaluating the potential impact of the impairment assessment based on the reasonably possible changes of the key assumptions used in valuation model.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Fong Yat Sing, Cyrus.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 23 March 2021

Fong Yat Sing, Cyrus
Practicing Certificate Number P07150

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	6	**1,272,354**	894,149
COST OF SERVICES		**(464,173)**	(316,592)
Gross profit		**808,181**	577,557
Other income	7	**46,163**	136,041
Other gains and losses, net	8	**136,340**	(14,718)
Impairment losses on financial assets recognised, net of reversal	9	**(1,189,669)**	(600,153)
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	11	**802,375**	(1,363,056)
Administrative expenses		**(425,394)**	(307,624)
Finance costs	10	**(246,105)**	(351,033)
Share of results of associates	20	**64,844**	(4,217)
LOSS BEFORE TAX	11	**(3,265)**	(1,927,203)
Income tax expense	14	**(15,042)**	(34,612)
LOSS FOR THE YEAR		**(18,307)**	(1,961,815)
Loss for the year attributable to:			
Owners of the Company		**(284,700)**	(2,095,524)
Holders of perpetual capital instrument		**259,048**	123,021
Non-controlling interests		**7,345**	10,688
		(18,307)	(1,961,815)
LOSS PER SHARE			
Basic and diluted	16	**HK(1.17) cents**	HK(8.57) cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Loss for the year		**(18,307)**	(1,961,815)
Other comprehensive income/(loss)			
Item that will not be reclassified to profit or loss:			
Fair value change on equity instruments classified as financial assets at fair value through other comprehensive income	21	**(242,866)**	348,693
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	21	**(70,056)**	1,994
Release of FVTOCI reserve upon disposal of debt instruments at fair value through other comprehensive income		**7,178**	–
Exchange difference arising on translation of foreign operations		**218,570**	(43,460)
Other comprehensive (loss)/income for the year		**(87,174)**	307,227
Total comprehensive loss for the year		**(105,481)**	(1,654,588)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**(377,134)**	(1,787,617)
Holders of perpetual capital instrument		**259,048**	123,021
Non-controlling interests		**12,605**	10,008
		(105,481)	(1,654,588)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**12,677**	9,823
Right-of-use assets	18	**39,699**	27,249
Intangible assets	19	**1,273,595**	1,269,703
Interests in associates	20	**2,128,901**	47,460
Financial assets at fair value through other comprehensive income	21	**2,281,229**	3,275,811
Financial assets at fair value through profit or loss	22	**55,922**	656,697
Finance lease receivables	23	**547,554**	1,390,935
Loans receivables	24	**132,373**	37,474
Total non-current assets		**6,471,950**	6,715,152
CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	21	**2,603,310**	880,707
Financial assets at fair value through profit or loss	22	**5,858,263**	2,200,732
Finance lease receivables	23	**759,072**	1,436,872
Loans receivables	24	**3,203,909**	2,650,011
Trade and other receivables	25	**933,805**	1,036,333
Restricted cash	26	**88,358**	64,923
Cash held on behalf of clients	27	**1,779**	–
Cash and cash equivalents	27	**5,045,748**	8,214,075
Total current assets		**18,494,244**	16,483,653
CURRENT LIABILITIES			
Other payables and accruals	28	**302,023**	198,895
Lease liabilities	29	**13,270**	2,025
Borrowings	30	**7,442,624**	5,436,520
Tax payables		**677**	24,906
Total current liabilities		**7,758,594**	5,662,346

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
NET CURRENT ASSETS		**10,735,650**	10,821,307
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,207,600**	17,536,459
NON-CURRENT LIABILITIES			
Borrowings	30	**7,386,690**	7,128,121
Lease liabilities	29	**30,502**	25,651
Other payables and accruals	28	**21,910**	19,480
Deferred tax liabilities	32	**111,750**	111,750
Total non-current liabilities		**7,550,852**	7,285,002
Net assets		**9,656,748**	10,251,457
CAPITAL AND RESERVES			
Issued capital	33	**6,022**	6,113
Reserves		**2,387,755**	2,953,592
Equity attributable to owners of the Company		**2,393,777**	2,959,705
Perpetual capital instrument	34	**7,073,413**	7,114,799
Non-controlling interests		**189,558**	176,953
Total equity		**9,656,748**	10,251,457

The consolidated financial statements were approved and authorised for issued by the board of directors on 23 March 2021 and are signed on its behalf by:

Wang Xiaodong	**Liu Honghui**
Director	*Director*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company													
	Issued capital HK$'000	Share premium account HK$'000 (Note i)	Share options reserve HK$'000 (Note ii)	Capital redemption reserve HK$'000 (Note iii)	Contribution surplus HK$'000 (Note iv)	Fair value through other comprehensive income reserve HK$'000 (Note v)	Convertible bonds reserve HK$'000 (Note vi)	Statutory reserve HK$'000 (Note vii)	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Perpetual capital instrument HK$'000 (Note 34)	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019	6,113	4,784,098	40,150	1,177	1,524,577	181,069	19,084	37,995	(263,673)	(1,535,564)	4,795,026	–	83,220	4,878,246
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(2,095,524)	(2,095,524)	123,021	10,688	(1,961,815)
Other comprehensive income/(loss) for the year:														
Fair value change on equity instruments classified as financial assets at fair value through other comprehensive income	–	–	–	–	–	348,693	–	–	–	–	348,693	–	–	348,693
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	–	–	–	–	–	1,994	–	–	–	–	1,994	–	–	1,994
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	(42,780)	–	(42,780)	–	(680)	(43,460)
Other comprehensive income/(loss) for the year	–	–	–	–	–	350,687	–	–	(42,780)	–	307,907	–	(680)	307,227
Total comprehensive income/(loss) for the year	–	–	–	–	–	350,687	–	–	(42,780)	(2,095,524)	(1,787,617)	123,021	10,008	(1,654,588)
Issuance of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	–	6,991,778	–	6,991,778
Partial disposal of subsidiaries without losing control	–	–	–	–	–	–	–	–	–	(47,704)	(47,704)	–	83,725	36,021
Redemption of convertible bond	–	–	–	–	–	–	(19,084)	–	–	19,084	–	–	–	–
At 31 December 2019	6,113	4,784,098	40,150	1,177	1,524,577	531,756	–	37,995	(306,453)	(3,659,708)	2,959,705	7,114,799	176,953	10,251,457

	Attributable to owners of the Company													
	Issued capital HK$'000	Share premium account HK$'000 (Note i)	Share options reserve HK$'000 (Note ii)	Capital redemption reserve HK$'000 (Note iii)	Contribution surplus HK$'000 (Note iv)	Fair value through other comprehensive income reserve HK$'000 (Note v)	Convertible bonds reserve HK$'000 (Note vi)	Statutory reserve HK$'000 (Note vii)	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Perpetual capital instrument HK$'000 (Note 34)	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2020	6,113	4,784,098	40,150	1,177	1,524,577	531,756	–	37,995	(306,453)	(3,659,708)	2,959,705	7,114,799	176,953	10,251,457
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(284,700)	(284,700)	259,048	7,345	(18,307)
Other comprehensive income/(loss) for the year:														
Fair value changes on equity instruments classified as financial assets at fair value through other comprehensive income	–	–	–	–	–	(242,866)	–	–	–	–	(242,866)	–	–	(242,866)
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	–	–	–	–	–	(70,056)	–	–	–	–	(70,056)	–	–	(70,056)
Release of FVTOCI reserve upon disposal of debt instruments at fair value through other comprehensive income	–	–	–	–	–	7,178	–	–	–	–	7,178	–	–	7,178
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	213,310	–	213,310	–	5,260	218,570
Other comprehensive (loss)/income for the year	–	–	–	–	–	(305,744)	–	–	213,310	–	(92,434)	–	5,260	(87,174)
Total comprehensive (loss)/income for the year	–	–	–	–	–	(305,744)	–	–	213,310	(284,700)	(377,134)	259,048	12,605	(105,481)
Distribution to perpetual capital instrument holders	–	–	–	–	–	–	–	–	–	–	–	(300,434)	–	(300,434)
Cancellation of issued capital	(91)	(188,794)	–	91	–	–	–	–	–	–	(188,794)	–	–	(188,794)
Release of fair value through other comprehensive income reserve	–	–	–	–	–	(507,784)	–	–	–	507,784	–	–	–	–
At 31 December 2020	6,022	4,595,304	40,150	1,268	1,524,577	(281,772)	–	37,995	(93,143)	(3,436,624)	2,393,777	7,073,413	189,558	9,656,748

Notes:

(i) Share premium account

Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

Notes: (continued)

(ii) Share options reserve

Share options reserve relates to share options granted to employees under new share option scheme. Further information about share-based payments to employees is set out in note 35 below.

(iii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(iv) Contributed surplus

Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities.

(v) Fair value through other comprehensive income ("FVTOCI") reserve

As at 31 December 2020, the FVTOCI reserve included net fair value loss of approximately HK$218,344,000 (2019: gain of HK$532,306,000) that will not be reclassified to profit or loss credited to the FVTOCI reserve and net fair value loss of approximately HK$63,428,000 (2019: HK$550,000) that may be reclassified subsequently to profit or loss.

(vi) Convertible bonds reserve

Convertible bonds reserve relates to convertible bonds issued/redeemed during the year.

(vii) Statutory reserve

The statutory reserve of the Group refers to the People's Republic of China (the "PRC") statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(3,265)	(1,927,203)
Adjustments for:			
Realised (gain)/loss from financial assets at fair value through profit or loss, net	11	(525,444)	16,313
Unrealised (gain)/loss from financial assets at fair value through profit or loss, net	11	(276,931)	1,346,743
Loss on disposal of debt instruments at fair value through other comprehensive income	8	7,178	–
Amortisation	11	8,795	5,050
Depreciation	11	18,476	7,887
Finance costs	10	403,183	544,397
Gain on disposal of an associate	8	(300)	–
Gain on remeasurement of pre-existing interest in an associate	8	(6,148)	–
Loss on disposal of an other receivable	8	–	4,387
Impairment loss on trade and other receivables	9	71,550	237,650
Impairment loss on goodwill	8	74,492	8,771
Impairment loss on intangible assets	8	22,625	–
Impairment loss on finance lease receivables	9	987,074	342,076
Impairment loss on loans receivables	9	131,045	20,427
Bank interest income	7	(30,347)	(128,220)
Compensation income	8	(188,794)	–
Share of results of associates	20	(64,844)	4,217
Operating cash flows before movements in working capital		628,345	482,495
Increase in loans receivables		(763,982)	(1,384,716)
Increase in financial assets at fair value through profit or loss		(3,643,987)	(534,499)
Decrease/(increase) in finance lease receivables		557,534	(411,994)
Decrease/(increase) in trade and other receivables		84,351	(235,055)
Increase in cash held on behalf of clients		(1,779)	–
Increase/(decrease) in other payables and accruals		60,059	(9,743)
Cash used in operations		(3,079,459)	(2,093,512)
Tax paid		(40,867)	(69,779)
Net cash used in operating activities		(3,120,326)	(2,163,291)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	17	**(5,197)**	(3,979)
Proceeds from disposal of property, plant and equipment	17	**21**	21
Additions of intangible assets	19	**(23,013)**	(26,743)
Net cash outflow resulting from acquisition of subsidiaries	36	**(19,972)**	(8,245)
Addition of an associate		**–**	(222)
Proceeds from disposal of an associate		**300**	–
Received from/(advances to) associates		**31,732**	(18)
Placement of restricted cash		**(23,435)**	(62,701)
Bank interest income received		**30,347**	104,192
Purchase of financial assets at fair value through other comprehensive income		**(4,058,285)**	(1,360,104)
Proceeds from disposal of financial assets to fair value through other comprehensive income		**2,069,832**	78,564
Proceeds from disposal of financial assets at fair value through profit or loss		**309,978**	–
Net cash used in investing activities		**(1,687,692)**	(1,279,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(507,818)**	(420,479)
Redemption of convertible bonds	31	**–**	(289,069)
New borrowings raised		**2,013,908**	2,121,394
Repayment of borrowings		**(1,555,624)**	(2,135,001)
Repayment of lease liabilities		**(12,901)**	(3,576)
Proceeds from issuance of bonds	30	**6,587,757**	9,379,168
Repayment of bonds	30	**(4,688,937)**	(4,687,793)
Distribution to holders of perpetual capital instrument		**(300,434)**	–
Proceeds from issuance of perpetual capital instrument		**–**	6,991,778
Net cash generated from financing activities		**1,535,951**	10,956,422
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,272,067)**	7,513,896
Cash and cash equivalents at the beginning of the year		**8,214,075**	681,398
Effect of foreign exchange rate changes		**103,740**	18,781
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27	**5,045,748**	8,214,075

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

1. CORPORATE INFORMATION

China Shandong Hi-Speed Financial Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 17/F., Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, respectively.

The Company acts as an investment holding company and its subsidiaries (collectively referred to as the "Group") principally engaged in various kinds of financial services, including provision of securities brokerage services, financial leasing, operation of an asset trading platform, investments in securities, money lending, investment holding, online investment and technology-enabled lending services, online new media services and assets management.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

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

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

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 16	Covid-19 related rent concessions[4]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after a date to be determined.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group's interests in associates.

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

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

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

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

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

Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

A CGU (or group of CGU) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGU) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGU).

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost plus additional capital contribution, less any identified impairment loss, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (continued)

At each reporting date, the Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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

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

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

(i) Consultancy services income and handling fee income

Consultancy services income represents income derived from advisory and consultancy services provided for customers, including but not limited, as the followings:

a) provision of advisory services on financial leasing and trading platform structure;

b) provision of advisory services on transaction arrangements; and

c) financial taxation analysis.

Fee income is recognised when the corresponding service is provided, except where the fee is charged to cover the cost of a continuing service to. In such case, the fee is recognised as income in the accounting period in which the costs or risk are incurred or is accounted for as income.

(ii) Finance lease income

The income under financial leasing is recognised in the consolidated income statement using the effective interest rate implicit in the lease over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

(iii) Dividend and distribution income

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

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

(iv) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

(v) Online new media services income

Online investment and technology-enabled lending services income and online new media services income is recognised when the related services are provided.

(vi) Management income from fund investment

Revenue from asset management services is recognised over time as the services are provided. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis as mutually agreed.

Performance fees are recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant performance period and it is determined that it will not result in significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the managed accounts. Performance fees, if any, are deducted from the customer's account balance on a regular basis as mutually agreed.

(vii) Provision of securities brokerage services

The performance obligation is satisfied at a point in time when the customer has obtained control of the service, generally when the trades are executed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

The lease payments include:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (continued)

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 *Revenue from Contracts with Customers* to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a finance lease receivable equal to the transfer proceeds within the scope HKFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the exchange rate prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the other comprehensive income.

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the government in the PRC, the subsidiaries in the PRC participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of the PRC is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group's contributions to the scheme are expensed as incurred.

Segment Reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium account. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Taxation

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

The tax currently payable is based on taxable profits for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income and 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 current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. 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 leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

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

The principal annual rate are as follows:

Leasehold improvements	Over the shorter of the lease terms or 20%
Furniture, fixtures and office equipment	10%–20%
Motor vehicles	20%–30%

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, if any, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets other than goodwill with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are test for impairment at least annually, and whenever there is an indication that they may be impaired.

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGU, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (continued)

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

Provisions

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

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

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(ii) has significant influence over the Group; or

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

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

(i) the entity and 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 apart, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Equity instruments designated as at FVTOCI

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

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

(iv) Financial assets at FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loans receivables, finance lease receivables, restricted cash, cash held on behalf of clients, cash and cash equivalents and debt investments measured at FVTOCI) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables, except for those from margin clients. The ECL on these assets are assessed individually for debtors with significant balances or credit-impaired and/or collectively using a provision matrix with appropriate groupings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit loss.

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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

- Nature of financial instruments;
- Loan to collateral value ratio ("LTV")
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan; and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Except for loan commitments, financial guarantee contracts and investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, loan receivables and finance lease receivables where the corresponding adjustment is recognised through a loss allowance account. For investment in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance. For loan commitments and financial guarantee contracts, the loss allowances are recognised as provisions.

(vi) Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default, loss given default and exposure at default. Based on the requirements of HKFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, repayments) and forward-looking information in order to establish the model of probability of default, loss given default and exposure at default.

Relative definitions are listed as follows:

- Probability of default refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's probability of default is adjusted based on the results of the internal and external ratings, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time probability of default under the current macroeconomic environment.

- Loss given default refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the difference of credit products, and the type of collateral, the loss given default varies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(vi) Parameters of ECL measurement (continued)

- Exposure at default is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

(vii) Forward-looking information

The assessment of probability of default and therefore the calculation of ECL involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the probability of default varies according to different types of business. The Group combined statistic model and experts' judgement in this process, according to the result of model and experts' judgement, the Group predicts these economic indicators on an annually basis.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Perpetual capital instrument issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including borrowings and other payables and accruals are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee are measured initially at their fair value. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Convertible bonds

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium account. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition of financial liabilities

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

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting of financial assets and financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, demand deposits with banks, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are not restricted as to use, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in these consolidated financial statements:

Classification of financial assets

Business model assessment: Classification and measurement of financial assets depends on the results of the "SPPI" test and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Classification of leases

The Group has entered into certain lease business whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased assets to the lessees, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair values of the leased assets at the inception of the leases. Accordingly, the Group has excluded the leased assets from its consolidated statement of financial position and has instead, recognised finance lease receivables. Otherwise the Group includes the leased assets under operating lease in property, plant and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgments by the directors of the Company.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities

Contractual arrangement structure

深圳厚生新金融控股有限公司 ("Honesta Holding"), its subsidiaries and invested entities (collectively the "Structured Entities") are companies established in the PRC and are principally engaged in the business of, inter alia, the restricted businesses, collectively, securities investment management, conducting electronic commerce, provision of financial intermediary service through the internet, market research, internet culture operation, all of which are subject to foreign ownership restrictions under the laws of the PRC (the "Restricted Businesses"). According to the PRC legal advisors of the Company, (i) the businesses of securities investment management shall be legally owned by PRC persons, (ii) the businesses of electronic commerce, provision of financial intermediary service through the internet and market research are subject to foreign investment restrictions and (iii) the business of internet culture operation is subject to foreign investment prohibition.

The directors of the Company concluded that, since the acquisition of the 60% equity interests in Kun Peng International Limited ("Kun Peng") and its subsidiaries (collectively referred to as "Kun Peng Group"), the Group controls the Structured Entities through 厚生諮詢管理(深圳)有限公司 (Honesta Consultancy Management (Shenzhen) Company Limited) ("Honesta Consultancy Management"), an indirect wholly-owned subsidiary of Kun Peng, and the arrangements under a series of agreements, collectively the exclusive business cooperation agreement, the exclusive option agreements, the equity pledge agreements, the director's power of attorney, the shareholder's power of attorney, the spouse consent letter and other ancillary documents relating to the contractual arrangements thereunder (the "Structured Contracts"). Key provisions of the Structured Contracts are as follows:

Exclusive Business Cooperation Agreement

Honesta Consultancy Management, Honesta Holding and the registered shareholders of Honesta Holding, namely Mr. Hua Meng ("Mr. Hua"), Mr. Guo Yong, Mr. Cheng Xiaoxin and 深圳厚生樂投八號投資管理企業(有限合夥)(Shenzhen Honesta Letou Number 8 Investment Management Limited Partnership) ("Honesta-Letou") entered into an exclusive business cooperation agreement (the "Exclusive Business Cooperation Agreement"). Pursuant to the Exclusive Business Cooperation Agreement, Honesta Consultancy Management shall provide exclusive technical services and business advisory services, including, among others, computer software technology development, website development and maintenance, information technology system development and maintenance, to Honesta Holding.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Contractual arrangement structure (continued)

Exclusive Business Cooperation Agreement (continued)

Further, Honesta Holding agrees to: (a) conduct business according to advice and opinion of Honesta Consultancy Management; (b) appoint such persons recommended by Honesta Consultancy Management to be chairman of the board, directors, chief manager, chief financial officer and other executive officers of Honesta Holding, who are charged with the duty to supervise the operation of Honesta Holding, and they may not be removed by Honesta Holding without the written consent of Honesta Consultancy Management; (c) provide books and accounts, information about its business, clients, employees for inspection upon the request of Honesta Consultancy Management; (d) place all seals and operation licences with Honesta Consultancy Management; and (e) deal with the assets of Honesta Holding in accordance with the instructions of the party designated by Honesta Consultancy Management if Honesta Consultancy Management wind up.

Honesta Consultancy Management shall be entitled to carry out relevant business in the name of Honesta Holding, and Honesta Holding shall provide all supports to facilitate the same.

Honesta Consultancy Management shall calculate the services fee each year, which shall be equivalent to the profits of Honesta Holding during the relevant year after deducting all necessary costs, expenses and taxes, losses in the previous financial years (if applicable). Honesta Holding shall pay the services fee to Honesta Consultancy Management accordingly.

Exclusive Option Agreements

Honesta Consultancy Management, Honesta Holding and each of the registered shareholders of Honesta Holding entered into exclusive option agreements (collectively the "Exclusive Option Agreements"). Pursuant to the Exclusive Option Agreements, each of the registered shareholders of Honesta Holding irrevocably grant an exclusive option to Honesta Consultancy Management that entitles Honesta Consultancy Management to require the registered shareholders of Honesta Holding to transfer, to the extent permitted by the PRC laws, all or part of the equity interest in Honesta Holding held by registered shareholders to Honesta Consultancy Management or any person(s) designated by it at the minimum consideration permitted by the PRC laws, provided that the registered shareholders of Honesta Holding shall repay the consideration paid by Honesta Consultancy Management to it. The registered shareholders of Honesta Holding shall not, among other things, (i) transfer any of their equity interests in Honesta Holding nor create any pledge or any other security on the same or (ii) request for distribution of dividend.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Contractual arrangement structure (continued)

Equity Pledge Agreements

Honesta Consultancy Management, Honesta Holding and each of the registered shareholders of Honesta Holding entered into equity pledge agreements (collectively the "Equity Pledge Agreements"). Pursuant to the Equity Pledge Agreements, the registered shareholders of Honesta Holding agree to pledge all of their equity interests in Honesta Holding to Honesta Consultancy Management to secure the payment obligations of all service fees payable by Honesta Holding to Honesta Consultancy Management. Without the prior written consent of Honesta Consultancy Management, the registered shareholders of Honesta Holding shall not, among other things, (i) transfer any of their equity interests in Honesta Holding nor create any new pledge or any other security thereon or (ii) reduce the registered capital of Honesta Holding.

Director's Power of Attorney

Each of the directors of Honesta Holding authorises Honesta Consultancy Management to exercise on his behalf all of his rights and powers as director of Honesta Holding, including, among other things (i) acting as the agent of the director to attend the board meetings of Honesta Holding and/or (ii) representing the director and exercising the voting rights on matters requiring discussion and approval at board meetings of Honesta Holding.

Shareholder's Power of Attorney

Each of the registered shareholders of Honesta Holding authorises Honesta Consultancy Management to exercise on its/his behalf all of its/his rights and powers as shareholder of Honesta Holding, including, among other things (i) exercising all rights which may be exercised by a shareholder of a company under the PRC laws and regulations or the constitution of Honesta Holding, (ii) elect directors and supervisors of Honesta Holding, and/or (iii) inspect the books and records of Honesta Holding.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Contractual arrangement structure (continued)

Spouse Consent Letter

The spouse of each of the individual registered shareholders of Honesta Holding unconditionally and irrevocably, among other things, (i) acknowledges that all the equity interests in Honesta Holding registered under the name of the registered shareholder of Honesta Holding do not form part of their matrimonial property, (ii) undertakes that she will not make any claim which is contrary to the intention of the Structured Contracts, and (iii) undertakes that she will not participate in the operation and management of Honesta Holding.

The directors of the Company assessed whether or not the Group has control over the Structured Entities based on whether or not the Group has power to direct the relevant activities of Structured Entities unilaterally, rights to variable returns from its involvement, and has the ability to use its power to affect its returns. In making their judgment, the directors of the Company considered the terms of the Structured Contracts as detailed above.

The directors of the Company, after consulting legal opinion, are of the view that the terms of the Structured Contracts have in substance enabled the Group to exercise control over and enjoy the economic benefits of the Structured Entities, despite the absence of formal legal equity interest held by the Group therein. Accordingly, Structured Entities are accounted for as consolidated structured entities of the Group.

In the opinion of the directors of the Company, with reference to opinion of legal counsel, the Structured Contracts are in compliance with existing PRC laws and regulations, valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material respects. However, uncertainties in the PRC legal system could cause the Group's current contractual arrangement structure to be found in violation of any existing and/or future PRC laws or regulations and could limit the Company's ability to enforce its rights under the Structured Contracts.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Control over Shenzhen Cashlai Financial Information Services Co. Ltd. and its subsidiaries

As disclosed in note 37 to the consolidated financial statements, Shenzhen Cashlai Financial Information Services Co. Ltd. ("Cashlai") and its subsidiaries (collectively the "Cashlai Group") are subsidiaries of the Group although the Group has only 36% effective interest and voting rights in Cashlai. Cashlai is a 46% directly-owned subsidiary of Honesta Holding. The remaining 54% shareholding of Cashlai are owned by six limited liabilities partnerships registered in the PRC and an individual. Three of those limited liabilities partnerships entered into an agreement with Honesta Holding to act in concert with Honesta Holding, resulting in Honesta Holding has control over 77% interest in Cashlai.

The directors of the Company assessed whether or not the Group has control over the Cashlai Group based on whether the Group has the practical ability to direct the relevant activities of the Cashlai Group unilaterally. In making the judgment, the directors of the Company considered the Group's absolute size of holding in Cashlai and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of the Cashlai Group and therefore the Group has control over the Cashlai Group.

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 described below.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset including right-of-use assets, the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimated impairment of intangible assets and goodwill

Determining whether intangible assets and goodwill are impaired require an estimation of the recoverable amount of the intangible assets and the CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise.

Estimated impairment of financial assets at amortised cost

The Group reviews portfolios of financial assets measured at amortised cost to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for financial assets measured at amortised cost. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

The impairment loss for financial assets measured at amortised cost using the expected credit loss model is subjected to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward looking information and other adjustment factors. The expected credit losses for financial assets measured at amortised cost are derived from estimates whereby management takes into consideration historical data, the historical loss experience and other adjustment factors. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgment based on management's historical experience. Management reviews the selection of those parameters and the application of the assumptions regularly to reduce any difference between loss estimates and actual loss.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value measurement of financial instruments

As at 31 December 2020, certain of the Group's financial assets are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments.

Income taxes

The Group is subject to Hong Kong Profits Tax, PRC Enterprise Income Tax and Singapore Corporate Income tax. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of this matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group's CODM. For the year ended 31 December 2020, the Group had four reportable operating segments. Details are as follows:

(i) Investment in securities segment engages primarily in the purchase and sale of securities and derivatives, the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation and securities brokerage services;

(ii) Money lending segment engages primarily in money lending operations and advisory services;

(iii) Financial leasing segment engages primarily in the direct financial leasing and advisory services; and

(iv) Financial technology segment engages primarily in online investment and technology-enabled lending services, online new media services and asset trading platform.

During the year ended 31 December 2020, the Group acquired entire interest in Top Wish Holdings Limited, which became a subsidiary of the Group. Top Wish Holdings Limited and its subsidiaries were principally engaged in securities brokerage business with its result was grouped in investment in securities segment.

In addition to the above reportable segments, other segments that do not meet the quantitative thresholds for the reporting segments in both current and prior years were grouped in "Unallocated".

CODM monitors the results of the Group's operating segments separately as described above, for the purpose of making decisions about resource allocation and assessment of the Group's performance. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that unallocated income, unallocated finance costs, unallocated expenses and share of results of associates are excluded from such measurement.

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

- all assets are allocated to reportable segments except corporate assets; and

- all liabilities are allocated to reportable segments except corporate liabilities, deferred tax liabilities, certain borrowings and certain other payables and accruals.

5. OPERATING SEGMENT INFORMATION (continued)

	Investment in securities		Money lending		Financial leasing		Financial technology		Unallocated		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue	**601,001**	210,501	**250,302**	76,420	**122,907**	207,873	**298,144**	399,355	**–**	–	**1,272,354**	894,149
Segment results	**1,246,126**	(1,329,504)	**72,120**	46,319	**(990,345)**	(387,792)	**(194,013)**	171,864	**–**	–	**133,888**	(1,499,113)
Unallocated income*											**195,242**	–
Unallocated finance costs											**(25,484)**	(262,968)
Unallocated expenses**											**(371,755)**	(160,905)
Share of results of associates											**64,844**	(4,217)
Loss before tax											**(3,265)**	(1,927,203)

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue in current and prior years.

Amounts included in the measurement of segment profit or loss or segment assets is as follows:

	Investment in securities		Money lending		Financial leasing		Financial technology		Unallocated		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank interest income	**(23,418)**	(126,825)	**–**	–	**(5,026)**	(446)	**(1,903)**	(949)	**–**	–	**(30,347)**	(128,220)
Finance costs	**59,017**	78,256	**91,472**	8,277	**69,890**	1,101	**242**	431	**25,484**	262,968	**246,105**	351,033
Amortisation	**–**	–	**–**	–	**161**	42	**8,345**	4,730	**289**	278	**8,795**	5,050
Depreciation for												
– property, plant and equipment	**–**	–	**–**	–	**820**	350	**975**	1,344	**2,330**	2,256	**4,125**	3,950
– right-of-use assets	**–**	–	**–**	–	**4,061**	2,518	**1,410**	753	**8,880**	666	**14,351**	3,937
Fair value (gain)/loss on financial assets at FVTPL, net	**(712,706)**	1,363,056	**–**	–	**(89,669)**	–	**–**	–	**–**	–	**(802,375)**	1,363,056
Loss on disposal of debt instruments at FVTOCI	**7,178**	–	**–**	–	**–**	–	**–**	–	**–**	–	**7,178**	–
Impairment losses recognised in respect of												
– goodwill	**–**	–	**–**	–	**23,507**	–	**50,985**	–	**–**	8,771	**74,492**	8,771
– computer software	**–**	–	**–**	–	**–**	–	**22,625**	–	**–**	–	**22,625**	–
– finance lease receivables	**–**	–	**–**	–	**987,074**	342,076	**–**	–	**–**	–	**987,074**	342,076
– loans receivables	**–**	–	**(12,450)**	23,208	**13,439**	(90)	**130,056**	(2,691)	**–**	–	**131,045**	20,427
– trade and other receivables	**54,418**	234,080	**99**	–	**(1,758)**	1,213	**18,791**	2,357	**–**	–	**71,550**	237,650
Capital expenditure***	**49,032**	–	**–**	–	**51**	3,057	**23,397**	25,990	**4,762**	1,675	**77,242**	30,722

* Unallocated income included compensation income of approximately HK$188,794,000 (2019: HK$nil), gain on remeasurement of pre-existing interest in an associate of approximately HK$6,148,000 (2019: HK$nil) and gain on disposal of an associate of approximately HK$300,000 (2019: HK$nil).

** Unallocated expenses mainly included employee benefit expenses of approximately HK$79,916,000 (2019: HK$61,373,000), exchange loss of approximately HK$24,772,000 (2019: HK$15,620,000), legal and professional fee of approximately HK$12,092,000 (2019: HK$11,013,000) and depreciation of approximately HK$11,210,000 (2019: HK$2,922,000) and guarantee fee paid of approximately HK$143,414,000 (2019: HK$nil).

*** Capital expenditure consists of additions to property, plant and equipment and intangible assets and those assets acquired from acquisition of subsidiaries.

5. OPERATING SEGMENT INFORMATION (continued)

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

	2020	2019
	HK$'000	HK$'000
Segment assets:		
Investment in securities	**17,305,846**	15,391,146
Money lending	**3,036,561**	2,273,313
Financial leasing	**3,797,730**	4,622,740
Financial technology	**744,852**	897,655
	24,884,989	23,184,854
Unallocated assets	**81,205**	13,951
Total assets	**24,966,194**	23,198,805
Segment liabilities:		
Investment in securities	**11,566,414**	10,147,553
Money lending	**299,524**	166,713
Financial leasing	**3,199,905**	2,369,167
Financial technology	**194,986**	226,619
	15,260,829	12,910,052
Unallocated liabilities	**48,617**	37,296
Total liabilities	**15,309,446**	12,947,348

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Hong Kong, the PRC and Singapore. The geographical information about the Group's revenue based on the locations of the operations is set out below:

	Revenue from external customers	
	2020	2019
	HK$'000	HK$'000
Hong Kong	**845,517**	323,594
The PRC	**421,051**	570,555
Singapore	**5,786**	–
	1,272,354	894,149

No customer of the Group has contributed over 10% of the total revenue of the Group for the current and prior years.

Over 90% of the Group's non-current assets were located in the PRC, no geographical segment is presented in accordance with HKFRS 8 *Operating Segments*.

6. REVENUE

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Types of service		
Consultancy services income	**146,132**	83,209
Handling fee income	**213,429**	281,052
Income from asset management and performance	**2,275**	4,451
Online new media services income	**26,087**	39,584
Income from brokerage business	**10,378**	–
	398,301	408,296
Timing of revenue recognition		
Recognised at a point in time	**316,326**	315,365
Recognised over time	**81,975**	92,931
	398,301	408,296

Set out below is the reconciliation of the revenue from contracts with customers with the amounts:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers	**398,301**	408,296
Finance lease income	**91,094**	161,483
Interest income from lending business	**281,860**	159,683
Interest income from financial assets at FVTPL	**118,627**	49,119
Interest income from financial assets at FVTOCI	**277,445**	67,402
Dividend and distribution income from financial assets at FVTPL	**105,027**	48,166
	1,272,354	894,149

Transaction price allocated to the remaining performance obligation for contracts with customers.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts as all contract works have an original expected duration of one year or less.

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Bank interest income	**30,347**	128,220
Government subsidy (Note)	**2,018**	885
Penalty on late payment	**–**	5,531
Sundry income	**13,798**	1,405
	46,163	136,041

Note: There were no unfulfilled conditions or contingencies relating to these government grants.

8. OTHER GAINS AND LOSSES, NET

	2020 HK$'000	2019 HK$'000
Impairment losses recognised in respect of		
– goodwill (note 19)	**(74,492)**	(8,771)
– computer software (note 19)	**(22,625)**	–
Compensation income (note 45(b))	**188,794**	–
Foreign exchange gain/(loss), net	**45,393**	(1,560)
Gain on remeasurement of pre-existing interest in an associate	**6,148**	–
Gain on disposal of an associate	**300**	–
Loss on disposal of an other receivable (note 25(ii)(c))	**–**	(4,387)
Loss on disposal of debt instruments at FVTOCI	**(7,178)**	–
	136,340	(14,718)

9. IMPAIRMENT LOSSES ON FINANCIAL ASSETS RECOGNISED, NET OF REVERSAL

	2020 HK$'000	2019 HK$'000
Impairment losses on financial assets recognised, net of reversal, in respect of:		
Finance lease receivables (note 23)	**(987,074)**	(342,076)
Loans receivables (note 24)	**(131,045)**	(20,427)
Trade and other receivables (note 25)	**(71,550)**	(237,650)
	(1,189,669)	(600,153)

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings wholly repayable within five years	**55,794**	99,554
Interest on other borrowings	**5,657**	44,050
Interest on bonds (note 30(ii))	**339,566**	379,075
Amortised interest on convertible bonds (note 31)	**–**	21,643
Interest on lease liabilities	**2,166**	75
	403,183	544,397
Less: Finance costs included in cost of services	**(157,078)**	(193,364)
	246,105	351,033

11. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2020 HK$'000	2019 HK$'000
Auditor's remuneration:		
– Audit services	**2,450**	3,000
– Non-audit services	**150**	640
	2,600	3,640
Employee benefit expenses:		
Directors' remuneration:		
– Fees	**1,948**	3,897
– Salaries, allowances and benefits in kind	**15,339**	12,282
– Retirement benefit scheme contributions (defined contribution scheme) *	**92**	82
Sub-total	**17,379**	16,261
Other staff's costs:		
– Salaries, allowances and benefits in kind	**159,458**	134,809
– Retirement benefit scheme contributions (defined contribution scheme) *	**10,181**	10,842
Sub-total	**169,639**	145,651
Total employee benefit expenses	**187,018**	161,912
Sales proceeds from disposal of securities, bonds and funds	**(13,143,745)**	(512,336)
Carrying amount of securities, bonds and funds	**12,618,301**	528,649
Realised (gain)/loss from financial assets at FVTPL – securities, bonds and funds, net (note 22(xi))	**(525,444)**	16,313
Unrealised (gain)/loss from financial assets at FVTPL – securities, bonds and funds, net (note 22(x))	**(276,931)**	1,346,743
Fair value (gain)/loss on financial assets at FVTPL, net	**(802,375)**	1,363,056
Amortisation of intangible assets	**8,795**	5,050
Depreciation of property, plant and equipment	**4,125**	3,950
Depreciation of right-of-use assets	**14,351**	3,937
Expenses relating to short term leases	**17,511**	25,696

* As at 31 December 2020, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2019: nil).

12. DIRECTORS' REMUNERATION

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

	For the year ended 31 December 2020			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors				
Mr. Wang Xiaodong (Note (i))	–	3,600	18	3,618
Mr. Liu Han (Note (ii))	–	4,900	18	4,918
Mr. Liu Honghui (Note (iii))	–	2,274	12	2,286
Mr. Liu Zhijie (Note (ii))	–	1,800	18	1,818
Mr. Liu Yao (Note (ii))	–	1,800	18	1,818
Ms. Liao Jianrong (Note (iv))	–	965	8	973
Non-executive directors				
Dr. Lam Lee G. (Note (v))	556	–	–	556
Mr. Lo Man Tuen (Note (v))	371	–	–	371
Mr. Qiu Jianyang (Note (v))	185	–	–	185
Mr. Liang Zhanhai (Note (vi))	–	–	–	–
Mr. Chen Di (Note (vi))	114	–	–	114
Mr. Gao Guicheng (Note (vi))	–	–	–	–
Independent non-executive directors				
Mr. Chan Wai Hei (Note (vii))	114	–	–	114
Mr. Tan Yuexin (Note (viii))	180	–	–	180
Mr. Cheung Wing Ping (Note (ix))	67	–	–	67
Mr. Guan Huanfei	180	–	–	180
Mr. To Shing Chuen (Note (ix))	67	–	–	67
Mr. Jonathan Jun Yan (Note (vii))	114	–	–	114
	1,948	15,339	92	17,379
Chief executive officer				
Mr. Mei Weiyi (Note (xiv))	–	188	2	190

12. DIRECTORS' REMUNERATION (continued)

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

	For the year ended 31 December 2019			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors				
Mr. Wang Xiaodong (Note (i))	–	2,342	12	2,354
Mr. Liu Han (Note (ii))	–	3,056	12	3,068
Mr. Liu Zhijie (Note (ii))	–	1,122	12	1,134
Mr. Liu Yao (Note (ii))	–	1,123	12	1,135
Ms. Liao Jianrong (Note (iv))	–	1,622	12	1,634
Mr. Ji Kecheng (Note (x))	–	1,365	8	1,373
Mr. Li Zhen Yu (Note (xi))	–	738	7	745
Mr. Wang Zhenjiang (Note (xi))	–	–	–	–
Mr. Yau Wai Lung (Note (xi))	–	914	7	921
Non-executive directors				
Mr. Li Hang (Note (xii))	176	–	–	176
Dr. Lam Lee G.	1,500	–	–	1,500
Mr. Lo Man Tuen	1,000	–	–	1,000
Mr. Qiu Jianyang	500	–	–	500
Independent non-executive directors				
Mr. Tan Yuexin (Note (viii))	113	–	–	113
Mr. Cheung Wing Ping	180	–	–	180
Mr. Wang Huixuan (Note (xiii))	68	–	–	68
Mr. Guan Huanfei	180	–	–	180
Mr. To Shing Chuen	180	–	–	180
	3,897	12,282	82	16,261
Chief executive officer				
Mr. Mei Weiyi (Note (xiv))	–	2,888	11	2,899

12. DIRECTORS' REMUNERATION (continued)

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

Notes:

(i) Mr. Wang Xiaodong was appointed as an executive director of the Company with effective from 7 May 2019.

(ii) Mr. Liu Han, Mr. Liu Zhijie and Mr. Liu Yao were appointed as executive directors of the Company with effective from 17 May 2019.

(iii) Mr. Liu Honghui was appointed as an executive director of the Company with effective from 14 May 2020.

(iv) Ms. Liao Jianrong was appointed as an executive director of the Company with effective from 17 May 2019 and has resigned as an executive director of the Company with effective from 14 May 2020.

(v) Dr. Lam Lee G., Mr. Lo Man Tuen and Mr. Qiu Jianyang have resigned as non-executive directors of the Company with effective from 14 May 2020.

(vi) Mr. Liang Zhanhai, Mr. Chen Di and Mr. Gao Guicheng were appointed as non-executive directors of the Company with effective from 14 May 2020.

(vii) Mr. Chan Wai Hei and Mr. Jonathan Jun Yan were appointed as independent non-executive directors of the Company with effective from 14 May 2020.

(viii) Mr. Tan Yuexin was appointed as an independent non-executive director of the Company with effective from 17 May 2019.

(ix) Mr. Cheung Wing Ping and Mr. To Shing Chuen have resigned as independent non-executive directors of the Company with effective from 14 May 2020.

(x) Mr. Ji Kecheng has resigned as an executive director and chief executive officer of the Company with effective from 17 May 2019.

(xi) Mr. Li Zhen Yu, Mr. Wang Zhenjiang and Mr. Yau Wai Lung have resigned as executive directors of the Company with effective from 17 May 2019.

(xii) Mr. Li Hang has resigned as a non-executive director of the Company with effective from 7 May 2019.

(xiii) Mr. Wang Huixuan has resigned as an independent non-executive director of the Company with effective from 17 May 2019.

(xiv) Mr. Mei Weiyi was appointed as the chief executive officer ("CEO") of the Company with effective from 3 June 2019 and has resigned as the CEO of the Company with effective from 14 January 2020.

12. DIRECTORS' REMUNERATION (continued)

During the year ended 31 December 2020, Mr. Liang Zhanhai and Mr. Gao Guicheng waived their emoluments of approximately HK$180,000 and HK$180,000 (2019: Mr. Wang Zhenjiang waived his emoluments of approximately HK$910,000). Except as disclosed above, there were no other arrangements under which a director waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

No emolument was paid by the Group to the directors as an inducement to join or upon joint the Group or as compensation for loss of office for the years ended 31 December 2020 and 2019.

The Group had provided the accommodation, which was leased from third party, to the directors for use by them and their family members at no charge. The estimated money value of the benefit in kind is approximately HK$nil (2019: HK$723,000).

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

13. FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2020, the five highest paid employees included five current directors (2019: one current director and one chief executive officer of the Company), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year ended 31 December 2019 of the remaining three highest paid employees who are neither a director nor chief executive officer of the Group are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries and allowances	–	8,617
Retirement benefit scheme contributions	–	49
	–	8,666

For the year ended 31 December 2019, the emoluments of the remaining three individual fell within the following bands:

	2020	2019
HK$1,000,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$3,000,000	–	2
HK$3,000,001 – HK$4,000,000	–	1

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the five highest paid employees, or Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

14. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax	14,910	49,452
– Singapore Corporate Income Tax	132	–
	15,042	49,452
Deferred tax credit (note 32)	–	(14,840)
Income tax expense	15,042	34,612

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 December 2020 and 2019.

No provision for taxation in Hong Kong has been made as the Group has no assessable profits for the purpose of calculating Hong Kong Profits Tax for the years ended 31 December 2020 and 2019.

The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2019: 25%).

The Singapore Corporate Income Tax for the Singapore subsidiaries are calculated at the Singapore Corporate Income Tax rate of 17% (2019:17%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

14. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to loss before tax for the consolidated income statement as follows:

	2020	2019
	HK$'000	HK$'000
Loss before tax	**(3,265)**	(1,927,203)
Tax at the statutory tax rates of different jurisdictions	**(95,491)**	(298,826)
Tax effect of share of results of associates	**(10,699)**	696
Tax effect of income not taxable for tax purposes	**(316,590)**	(59,983)
Tax effect of expenses not deductible for tax purposes	**456,930**	259,031
Tax effect of unrecognised deductible temporary differences	**3,454**	127,469
Tax effect of Singapore stepped income exemption	**(93)**	–
Utilisation of tax losses previously not recognised	**(22,568)**	(16,917)
Tax effect of tax losses not recognised	**99**	23,142
	15,042	34,612

15. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2020 (2019: nil), nor has any dividend been proposed since the end of the reporting period.

16. LOSS PER SHARE

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

	2020	2019
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(284,700)**	(2,095,524)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**24,302,661**	24,452,450

Diluted loss per share did not assume the exercise of share options since their assumed exercise had an anti-dilutive effect on loss per share for the years ended 31 December 2020 and 2019.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2020				
At 1 January 2020:				
Cost	12,073	12,971	7,120	32,164
Accumulated depreciation	(7,872)	(9,429)	(5,040)	(22,341)
Net carrying amounts	4,201	3,542	2,080	9,823
At 1 January 2020, net of accumulated depreciation	4,201	3,542	2,080	9,823
Acquisition of a subsidiary (note 36(a)(i))	885	644	–	1,529
Additions	4,347	850	–	5,197
Disposals	–	(21)	–	(21)
Depreciation provided during the year	(2,187)	(1,234)	(704)	(4,125)
Exchange realignment	79	115	80	274
At 31 December 2020, net of accumulated depreciation	7,325	3,896	1,456	12,677
At 31 December 2020:				
Cost	17,732	14,884	5,517	38,133
Accumulated depreciation	(10,407)	(10,988)	(4,061)	(25,456)
Net carrying amounts	7,325	3,896	1,456	12,677

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2019				
At 1 January 2019:				
Cost	10,247	12,463	5,998	28,708
Accumulated depreciation	(6,518)	(8,159)	(4,020)	(18,697)
Net carrying amounts	3,729	4,304	1,978	10,011
At 1 January 2019, net of accumulated depreciation	3,729	4,304	1,978	10,011
Additions	1,968	828	1,183	3,979
Disposals	–	(21)	–	(21)
Depreciation provided during the year	(1,356)	(1,549)	(1,045)	(3,950)
Exchange realignment	(140)	(20)	(36)	(196)
At 31 December 2019, net of accumulated depreciation	4,201	3,542	2,080	9,823
At 31 December 2019:				
Cost	12,073	12,971	7,120	32,164
Accumulated depreciation	(7,872)	(9,429)	(5,040)	(22,341)
Net carrying amounts	4,201	3,542	2,080	9,823

18. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
31 December 2020	
At 1 January 2020:	
Cost	31,118
Accumulated depreciation	(3,869)
Net carrying amount	27,249
At 1 January 2020, net of accumulated depreciation	27,249
Additions	25,171
Deprecation provided during the year	(14,351)
Exchange realignment	1,630
At 31 December 2020, net of accumulated depreciation	39,699
At 31 December 2020:	
Cost	58,123
Accumulated depreciation	(18,424)
Net carrying amounts	39,699
Expenses relating to short-term lease and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	17,511
Interest expense on lease liabilities	2,166
Total cash outflows for leases	32,578

18. RIGHT-OF-USE ASSETS (continued)

	Leased properties HK$'000
31 December 2019	
At 1 January 2019:	
Cost	–
Accumulated depreciation	–
Net carrying amount	–
At 1 January 2019, net of accumulated depreciation	–
Additions	31,862
Deprecation provided during the year	(3,937)
Exchange realignment	(676)
At 31 December 2019, net of accumulated depreciation	27,249
At 31 December 2019:	
Cost	31,118
Accumulated depreciation	(3,869)
Net carrying amounts	27,249
Expenses relating to short-term lease and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	25,696
Interest expense on lease liabilities	75
Total cash outflows for leases	29,347

For the years ended 31 December 2020 and 2019, the Group leases various offices and staff quarters for its operations. Lease contracts are entered into for fixed term of 1 year to 8 years (2019: 1 year to 8 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for use as various office and staff quarters. At 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in note 11 to the consolidated financial statements.

19. INTANGIBLE ASSETS

	Trading right HK$'000	License HK$'000	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 January 2019	–	418,197	28,828	822,580	1,269,605
Additions	–	–	26,743	–	26,743
Impairment	–	–	–	(8,771)	(8,771)
Amortisation provided during the year	–	–	(5,050)	–	(5,050)
Exchange realignment	–	(8,893)	(568)	(3,363)	(12,824)
At 31 December 2019 and 1 January 2020	–	409,304	49,953	810,446	1,269,703
Additions	–	–	23,013	–	23,013
Acquisition of a subsidiary (note 36(a)(i))	500	–	–	47,003	47,503
Impairment	–	–	(22,625)	(74,492)	(97,117)
Amortisation provided during the year	–	–	(8,795)	–	(8,795)
Exchange realignment	–	26,237	3,128	9,923	39,288
At 31 December 2020	**500**	**435,541**	**44,674**	**792,880**	**1,273,595**

Computer software have finite useful lives and is amortised on a straight-line basis over 5 to 10 years.

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets

For the purposes of impairment testing, goodwill and intangible assets have been allocated to the following five (2019: four) individual CGUs under four (2019: three) segments. The details of the amount (net of impairment) allocated are as follows:

	Goodwill		Intangible assets		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Investment in securities						
– CSFG International Securities CGU	**47,003**	–	**500**	–	**47,503**	–
Financial technology segment						
– Kun Peng Group CGU	**86,790**	129,469	**41,529**	46,217	**128,319**	175,686
Financial leasing segment						
– Hong Kong Leasing Group CGU	**626,063**	649,570	**437,808**	411,873	**1,063,871**	1,061,443
– China Innovative Finance Zhonghong CGU	**26,870**	25,253	**–**	–	**26,870**	25,253
Unallocated segment						
– CSFG Asset Management CGU	**6,154**	6,154	**–**	–	**6,154**	6,154
– Others	**–**	–	**878**	1,167	**878**	1,167
	792,880	810,446	**480,715**	459,257	**1,273,595**	1,269,703

During the year ended 31 December 2020, the management of the Group determines that impairment losses of approximately HK$23,507,000 and HK$50,985,000 were recognised for goodwill allocated to Hong Kong Leasing Group CGU and Kun Peng Group CGU respectively.

During the year ended 31 December 2019, the management of the Group determined that an impairments loss of approximately HK$8,771,000 was recognised for goodwill allocated to CSFG Asset Management CGU.

Details of the above CGUs and the determination of their recoverable amounts and their major underlying assumptions are summarised below:

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets (continued)

Kun Peng Group CGU

The recoverable amount of the Kun Peng Group CGU under the financial technology segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and pre-tax discount rate from 12.6% to 20.8% (2019: 14.3% to 21.2%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (2019: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included gross margin ranged from –30.4% to 17.3% (2019: 7.0% to 19.2%) which was determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company carried out a review of the recoverable amount of the Kun Peng Group CGU and concluded that the recoverable amount is less than its carrying amount. Accordingly, an impairment loss of approximately HK$50,985,000 (2019: HK$nil) was recognised to goodwill allocated to the Kun Peng Group CGU during the year ended 31 December 2020. The recoverable amount of the Kun Peng Group CGU was of approximately HK$128,429,000 as at 31 December 2020. Any adverse change in the assumptions used in the value-in-use calculation may lead to further impairment loss on the goodwill.

For the purpose of impairment testing, the carrying amounts of goodwill and intangible asset after impairment loss allocated to the Kun Peng Group CGU are as follows:

	2020	2019
	HK$'000	HK$'000
Goodwill	**86,790**	129,469
Intangible asset		
– Computer software	**41,529**	46,217
	128,319	175,686

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets (continued)

Hong Kong Leasing Group CGU

License arose from the acquisition of China Shandong Hi-Speed Hong Kong Leasing Limited ("Hong Kong Leasing") and its subsidiaries (collectively referred to as the "Hong Kong Leasing Group") represented the license to operate an asset trading platform in Shenzhen granted by the Development of the Shenzhen Municipal Government Financial Services Office. The license does not have an expiry date and hence is considered to have an indefinite useful life. The platform can be used for trading business relating to leasing facilities, leasing assets and other related leasing properties, provision of spot trading platform and market services and consultancy services. As at 31 December 2020 and 2019, there was no foreseeable limit to the product life cycles of such leasing facilities, leasing assets and other related leasing properties, provision of spot trading platform and market services and consultancy services and hence no foreseeable limit to the period over which the license for operating financial transactions platform could be used by the Group. In the opinion of the directors of the Company, the license is expected to generate positive cash flows indefinitely. Accordingly, the license will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The recoverable amount of the Hong Kong Leasing Group CGU under the financial leasing segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and pre-tax discount rates from 13.8% to 15.1% (2019: 16% to 18.5%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (2019: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included gross margin ranged from 28.2% to 32.6% (2019: 34.0% to 38.6%) which was determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company carried out a review of the recoverable amount of the Hong Kong Leasing Group CGU and concluded the recoverable amount is less than its carrying amount. Accordingly, an impairment loss of approximately HK$23,507,000 (2019: HK$nil) was recognised to goodwill allocated to the Hong Kong Leasing Group CGU during the year ended 31 December 2020. The recoverable amount of the Hong Kong Leasing CGU was of approximately HK$1,194,578,000 as at 31 December 2020. Any adverse change in the assumptions used in the value-in-use calculation may lead to further impairment loss on goodwill.

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets (continued)

Hong Kong Leasing Group CGU (continued)

For the purpose of impairment testing, the carrying amounts of goodwill after impairment loss and intangible assets allocated to the Hong Kong Leasing Group CGU are as follows:

	2020	2019
	HK$'000	HK$'000
Goodwill	**626,063**	649,570
Intangible assets		
– Computer software	**2,267**	2,569
– License	**435,541**	409,304
	1,063,871	1,061,443

China Innovative Finance Zhonghong CGU

The recoverable amount of China Innovative Finance Zhonghong (Shenzhen) Business Factoring Company Limited ("China Innovative Finance Zhonghong") CGU under the financial leasing segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and a pre-tax discount rate of 14.5% (2019: 16.1%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (2019: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included gross margin ranged from 7.8% to 20.5% (2019: 26.9%) which was determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

For the purpose of impairment testing, the carrying amount of goodwill allocated to the China Innovative Finance Zhonghong CGU is as follows:

	2020	2019
	HK$'000	HK$'000
Goodwill	**26,870**	25,253

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets (continued)

CSFG Asset Management CGU

The recoverable amount of the CSFG Asset Management Limited ("CSFG Asset Management") CGU under the advisory and asset management business which is included in the unallocated segment was determined based on the fair value less costs of disposal calculation that are classified as Level 3 (2019: Level 3) fair value hierarchy under HKFRS 13 *Fair Value Measurement*. The recoverable amount of the CSFG Asset Management CGU was determined based on the market comparable approach that reflects recent transaction prices for licenses for similar licenses corporations.

As at 31 December 2020, the Group engaged an independent professional valuer to assess the fair value of the goodwill. The valuer considered that due to the lack of recent market transactions on the similar license corporations, therefore, a discount of lack of marketability of 35% (2019: 35%) has been applied in assessing the fair value. As at 31 December 2019, the directors of the Company carried out a review of the recoverable amount of goodwill and concluded that the recoverable amount is less than its carrying amount. Accordingly, an impairment loss of approximately HK$8,771,000 was recognised to goodwill allocated to the CSFG Asset Management CGU during the year ended 31 December 2019. The recoverable amount of the CSFG Asset Management CGU was approximately HK$6,154,000 as at 31 December 2019. Any adverse change in the assumptions used in the fair value less costs of disposed calculation may lead to further impairment loss on goodwill.

For the purpose of impairment testing, the carrying amounts of goodwill after impairment loss allocated to the CSFG Asset Management CGU are as follows:

	2020 **HK$'000**	2019 HK$'000
Goodwill	**6,154**	6,154

19. INTANGIBLE ASSETS (continued)

Impairment testing on goodwill and intangible assets (continued)

CSFG International Securities CGU

The recoverable amount of CSFG International Securities Limited ("CSFG International Securities") CGU under the investment in securities segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and a pre-tax discount rate of 14.7% (2019: N/A) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (2019: N/A) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included gross margin ranged from 25.0% to 47.3% (2019: N/A) which was determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

For the purpose of impairment testing, the carrying amount of goodwill and intangible asset allocated to the CSFG International Securities CGU is as follows:

	2020 **HK$'000**	2019 HK$'000
Goodwill	**47,003**	–
Intangible asset		
– Trading right	**500**	–
	47,503	–

20. INTERESTS IN ASSOCIATES

	2020 **HK$'000**	2019 HK$'000
Cost of investments, unlisted	**2,064,393**	20,828
Share of post-acquisition losses and other comprehensive income	**64,798**	(4,920)
Exchange realignment	**(290)**	(180)
	2,128,901	15,728
Advances to associates	**–**	31,732
	2,128,901	47,460
Amount due to an associate (note 28)	**1,658**	1,585

20. INTERESTS IN ASSOCIATES (continued)

The following set out the particulars of the principal associates of the Group as at 31 December 2020 and 2019:

Name of associate	Place of incorporation/ registration	Class of share held	Proportion of ownership held by the Group 2020	Proportion of ownership held by the Group 2019	Nature of business
Top Wish Holdings Limited (Note (i))	British Virgin Islands ("BVI")	Ordinary shares	N/A	25%	Investment holding
CSFG International Securities Limited (formerly known as China Innovative Finance Securities Limited) (Note (i))	Hong Kong	Ordinary shares	N/A	25%	Securities brokerage business
CSFG International Securities (Holdings) Limited (formerly known as China Innovative Finance Securities (Holdings) Limited) (Note (i))	Hong Kong	Ordinary shares	N/A	25%	Investment holding
Eternal Billion Holding Group Limited (Note (ii))	BVI	Ordinary shares	N/A	25%	Investment holding
Fairy Ambition Limited (Note (ii))	Hong Kong	Ordinary shares	N/A	25%	Advisory on securities and asset management activities
Shandong Hi-Speed (BVI) International Holdings Limited (Note (iii))	BVI	Ordinary shares	40%	N/A	Investment holding
深圳利用投資管理有限公司 (Note (iv))	PRC	Registered capital	13%	13%	Investment holding
濟南高厚睿康股權投資基金管理有限公司 (Note (iv))	PRC	Registered capital	14%	14%	Investment holding
深圳前海厚生財富管理有限公司 (Note (iv))	PRC	Registered capital	16%	16%	Investment holding
深圳金數信息技術有限公司 (Note (iv))	PRC	Registered capital	7%	7%	Software technology development

20. INTERESTS IN ASSOCIATES (continued)

Notes:

(i) Acquisition of entire interest in Top Wish Holdings Limited ("Top Wish")

Before 12 June 2020, by holding 25% equity interest in Top Wish, the Group had power to exercise significant influence over Top Wish, which was classified as an associate.

On 12 June 2020, the Group acquired further 75% equity interest in Top Wish pursuant to a sale and purchase agreement date on 12 June 2020 at a total consideration of approximately HK$25,300,000. The consideration was settled by cash. Upon completion of the acquisition, the Group holds 100% equity interest in Top Wish. The Group is able to exercise control over Top Wish, which became a subsidiary of the Group. Top Wish acts as an investment holding company and its subsidiaries were principally engaged in securities brokerage business.

The goodwill of approximately HK$47,003,000 arising from the acquisition of Top Wish was recognised for the year ended 31 December 2020. None of the goodwill recognised is expected to be deductible for income tax purposes.

A gain on remeasurement of pre-existing interest in an associate of approximately HK$6,148,000 was recognised in the consolidated income statement for the year ended 31 December 2020.

(ii) Disposal of entire interest in Eternal Billion Holding Group Limited ("Eternal Billion")

On 12 June 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire interest in Eternal Billion, for an aggregate cash consideration of HK$300,000. Eternal Billion acts as an investment holding company and its subsidiary is principally engaged in advisory on securities and asset management activities. The transaction was completed on the same day and has resulted in recognition of an aggregate gain of approximately HK$300,000 in the consolidated income statement for the year ended 31 December 2020.

(iii) On 1 April 2020, the unlisted equity investment of Shandong Hi-Speed (BVI) International Holdings Limited ("Shandong (BVI)") of approximately HK$2,049,848,000 has reclassified from financial assets at FVTOCI to interests in associates. The directors of the Company consider that the Group has significant influence over Shandong (BVI) since 1 April 2020 based on the following factors: (1) the Group was able to and has appointed a director to the board of directors (total 3 directors) on 1 April 2020; and (2) the appointed director actively participates in the policy-making process of Shandong (BVI).

(iv) The above represented effective interest indirectly held by the Group. These entities were associates of non-wholly owned subsidiaries of the Group, which held more than 20% equity interest in them, and therefore the directors of the Company consider that the Company has significant influence over these entities through control of these subsidiaries.

20. INTERESTS IN ASSOCIATES (continued)

The associates of the Group are accounted for using the equity method in these consolidated financial statements.

The advances to associates are unsecured, interest-free and no fixed repayment terms.

The amount due to an associate is unsecured, interest-free and repayable on demand. It is included in the "other payables and accruals" in the consolidated statement of financial position.

The summarised financial information below represents amounts shown in the Group material associate's financial statements prepared in accordance with HKFRSs.

	2020 **HK$'000**
Shandong (BVI)	
Non-current assets	**9,720,276**
Current assets	**2,433,420**
Non-current liabilities	**(441,631)**
Current liabilities	**(8,712,369)**
Net assets	**2,999,696**

	From the date of significant influence obtained to 31 December 2020 **HK$'000**
Revenue	**847,278**
Profit for the period	**166,261**
Total comprehensive income for the period	**166,261**

20. INTERESTS IN ASSOCIATES (continued)

Reconciled to the Group's interest in the associate:

	2020 HK$'000
Net assets of Shandong (BVI)	**2,999,696**
Group's ownership interest in Shandong (BVI)	**40%**
Group's share of net assets of Shandong (BVI)	**1,199,878**
Goodwill	**916,504**
Carrying amount of the Group's interest in Shandong (BVI)	**2,116,382**

Shandong (BVI) and its subsidiaries were principally engaged in financial leasing in the PRC. Its carrying amount accounted for 8.48% of the total assets of the Group at 31 December 2020. The investment cost of Shandong (BVI) was approximately HK$1,530,000,000. No dividend has been received from the investment in Shandong (BVI) during the year ended 31 December 2020.

Aggregate financial information of associates that are not individually material:

	2020 HK$'000	2019 HK$'000
Group's share of results and other comprehensive loss for the year	**(1,660)**	(4,217)
Group's share of total comprehensive loss for the year	**(1,660)**	(4,217)
Group's aggregate interests in these associates and the carrying amounts	**12,519**	15,728

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
Non-current assets		
Unlisted equity investments		
– in elsewhere (Notes (i), (ii) and (vi))	**262,961**	2,067,882
Listed equity investments		
– in Hong Kong (Notes (ii), (iii) and (vi))	**140,321**	–
Notes		
– in elsewhere (Notes (v) and (vi))	**–**	243,166
Listed bonds		
– in Hong Kong (Notes (v) and (vi))	**194,619**	–
– in the PRC (Notes (v) and (vi))	**151,684**	23,765
– in elsewhere (Notes (v) and (vi))	**1,126,447**	940,998
Unlisted bonds		
– in elsewhere (Notes (v) and (vi))	**229,267**	–
Investment fund		
– in elsewhere (Notes (ii), (iv) and (vi))	**175,930**	–
	2,281,229	3,275,811
Current assets		
Notes		
– in elsewhere (Notes (v) and (vi))	**237,476**	140,368
Listed bonds		
– in Hong Kong (Notes (v) and (vi))	**68,496**	–
– in elsewhere (Notes (v), (vi) and (vii))	**1,009,041**	502,314
Unlisted bonds		
– in Hong Kong (Notes (v) and (vi))	**–**	238,025
– in elsewhere (Notes (v) and (vi))	**1,288,297**	–
	2,603,310	880,707

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes:

(i) As at 31 December 2019, balance represented the Group's 40% equity interest in Shandong (BVI). Shandong (BVI) and its subsidiaries were principally engaged in financial leasing business in the PRC. Its fair value accounted for 8.91% of the total assets of the Group at 31 December 2019. The investment cost of Shandong (BVI) was approximately HK$1,530,000,000. As at 31 December 2020, no individual investment in financial assets at FVTOCI and its fair value is over 5% of the total assets of the Group.

As at 31 December 2019, the directors of the Company consider that the Group has no significant influence over Shandong (BVI), which is held for long term strategic purposes and hence have elected to designate this investment in financial assets at FVTOCI.

On 1 April 2020, the investment of approximately HK$2,049,848,000 was reclassified from financial assets at FVTOCI to interests in associates. The reclassification results in release of FVTOCI reserve of approximately HK$514,271,000. Details are set out in note 20(iii) to the consolidated financial statements.

As at 31 December 2020, the balance represented 3.87% equity interest in an unlisted equity investment in a private entity incorporated in the BVI principally engaged in provision of integrated financial services, securities brokerage services, money lending, securities and other direct investments mainly in Hong Kong. This investment is held for long term strategic purposes and hence have designated this investment in financial assets at FVTOCI. During the year ended 31 December 2020, no dividend has been declared by this entity and no cumulative gain or loss has been transferred within the equity.

(ii) On 1 January 2020, the directors of the Company re-considered that certain investments are not held for trading and not expected to be sold in the foreseeable future. Accordingly, an unlisted equity investment of approximately HK$289,407,000, listed equity investments of approximately HK$359,957,000 and an investment fund of approximately HK$508,684,000 were reclassified from financial assets at FVTPL to financial assets at FVTOCI.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes: (continued)

(iii) The Group designated the investments shown in the table below as listed equity instruments that are measured at FVTOCI, as the Group intended to hold the listed equity instruments for a long term. The details are as follows:

	31 December 2020 HK$'000	31 December 2019 HK$'000	**Dividend income recognised for the year ended 31 December 2020 HK$'000**	Dividend income recognised for the year ended 31 December 2019 HK$'000
Company A, a Hong Kong listed entity incorporated in the Cayman Islands, principally engage in the sale of construction machineries and spare part	**93,270**	–	**–**	–
Company B, a Hong Kong listed entity incorporated in Bermuda, principally engage in solar energy business	**47,051**	–	**–**	–
Total	**140,321**	–	**–**	–

(iv) The balance represented the investment in OBOR Stable Growth Fund Limited (the "OBOR Fund"). The principal investment objective of OBOR Fund is to seek to achieve long term capital appreciation by investing primarily in listed companies in Asia countries. The OBOR Fund will invest mainly in a portfolio of listed equities, but may also invest in equity related instruments including convertible bonds, options and warrants relating to listed equities and index future contracts. The OBOR Fund will make investments in companies located in Greater China and throughout Asia (ex-Japan) in countries participating in or expected to benefit from One Belt One Road. The OBOR Fund may also invest in debt securities mainly through investing in convertible bonds.

During the year ended 31 December 2020, the Group realised a net loss of approximately HK$6,487,000 on sales of the OBOR Fund, and the portion sold had fair value of approximately HK$349,166,000 when they were sold. The net loss transferred to accumulated losses of approximately HK$6,487,000. No divided has been declared by the OBOR Fund.

(v) For the year ended 31 December 2020, the Group performed impairment assessment on debt instruments at FVTOCI at 12m ECL. The Group's investments in debt instruments at FVTOCI mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay etc) and concluded that the ECL on these balances are insignificant.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes: (continued)

(vi) Details of financial assets at FVTOCI:

	Fair value		Net gain/(loss) during the year		Investment cost	
	2020	2019	**2020**	2019	**2020**	2019
Nature of investments	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current asset						
Unlisted equity investments						
– in elsewhere	**262,961**	2,067,882	**(44,480)**	348,693	**281,220**	1,530,000
Listed equity investments						
– in Hong Kong	**140,321**	–	**(217,866)**	–	**543,370**	–
Notes						
– in elsewhere	**–**	243,166	**–**	10,843	**–**	233,230
Listed bonds						
– in Hong Kong	**194,619**	–	**6,353**	–	**188,266**	–
– in the PRC	**151,684**	23,765	**175**	370	**151,140**	23,530
– in elsewhere	**1,126,447**	940,998	**14,765**	(18,365)	**1,114,997**	963,120
Unlisted bonds						
– in elsewhere	**229,267**	–	**(3,308)**	–	**232,575**	–
Investment fund						
– in elsewhere	**175,930**	–	**19,480**	–	**150,524**	–
	2,281,229	3,275,811	**(224,881)**	341,541	**2,662,092**	2,749,880
Current assets						
Notes						
– in elsewhere	**237,476**	140,368	**(4,266)**	–	**230,960**	140,901
Listed bonds						
– in Hong Kong	**68,496**	–	**(1,400)**	–	**68,655**	–
– in elsewhere	**1,009,041**	502,314	**(95,238)**	12,866	**1,104,731**	490,777
Unlisted bonds						
– in Hong Kong	**–**	238,025	**3,698**	(3,720)	**–**	241,745
– in elsewhere	**1,288,297**	–	**9,165**	–	**1,279,161**	–
	2,603,310	880,707	**(88,041)**	9,146	**2,683,507**	873,423

(vii) As at 31 December 2020, a financial asset at FVTOCI with carrying amount of approximately HK$152,109,000 (2019: HK$nil) has been pledged to secure for a bank borrowing.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Non-current assets		
Listed equity investments		
– In Hong Kong (Notes (ii) and (ix))	**50,422**	327,875
Unlisted equity investments		
– In elsewhere (Notes (iv) and (ix))	**–**	289,407
Investment fund		
– In the PRC (Note (ix))	**–**	33,365
Club membership debenture		
– In Hong Kong (Notes (v) and (ix))	**5,500**	6,050
	55,922	656,697
Current assets		
Held-for-trading listed equity investments (Notes (ii) and (ix))		
– In Hong Kong	**2,132,356**	382,533
– In the PRC	**87,769**	–
– In elsewhere	**68,765**	77,981
	2,288,890	460,514
Held-for-trading investment funds (Note (ix))		
– In Hong Kong (Note (vi))	**633,688**	543,697
– In the PRC	**5,860**	3,280
– In elsewhere (Note (vi))	**–**	528,684
	639,548	1,075,661
Other investment funds		
– In elsewhere (Notes (vii) and (ix))	**1,754,798**	664,557
Held-for-trading bonds		
– In Hong Kong (Note (ix))	**653,338**	–
Unlisted equity investments		
– In the PRC (Notes (viii) and (ix))	**521,689**	–
	5,858,263	2,200,732

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

Notes:

(i) As at 31 December 2020 and 2019, no individual investment in financial assets at FVTPL and its fair value is over 5% of the total assets of the Group.

(ii) The fair value of the listed equity investments were determined by quoted prices in the stock exchanges in Hong Kong, the PRC and United State of America.

On 1 January 2020, listed equity investments of approximately HK$359,957,000 were reclassified to financial assets at FVTOCI. Details are set out in note 21 (ii) to the consolidated financial statements.

(iii) As at 31 December 2020, the Group holds 29,951,000 (2019: 29,951,000) shares of China Yunnan Highway Construction Group Co., Ltd. ("Yunnan Highway"), representing 8.32% (2019: 8.32%) of its issued share capital. Shares of Yunnan Highway were listed in the National Equities Exchange and Quotations (the "NEEQ") in the PRC during the year ended 31 March 2018 and subsequently delisted in April 2018. As at 31 December 2020 and 2019, the fair values of Yunnan Highway were considered to be zero.

(iv) As at 31 December 2019, the balance represented an unlisted equity investment in a private entity incorporated in the BVI principally engaged in provision of integrated financial services, securities brokerage services, money lending, securities and other direct investments mainly in Hong Kong.

On 1 January 2020, the balance of approximately HK$289,407,000 was reclassified to financial assets at FVTOCI. Details are set out in note 21 (ii) to the consolidated financial statements.

(v) Club membership debenture is stated at fair value at the end of the reporting period.

During the year ended 31 December 2020, fair value loss of approximately HK$550,000 (2019: HK$150,000) on club membership debenture was recognised in profit or loss with reference to the open market price.

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

Notes: (continued)

(vi) The held-for-trading investment funds in elsewhere include the following:

(a) Altair Asia Investment Limited

The Group invested in Altair Asia Investment Limited ("Altair Asia") with a guaranteed return of 15% internal rate of return per annum. Pursuant to the terms of the subscriptions of Altair Asia, the Group has issued a written notice to Altair Asia on 4 January 2018 requesting the redemption of the entire participating shares of cost of investment in value of HK$200,000,000 and subsequently on 23 January 2018 agreed to waive its rights to request for early redemption of part of the participating shares of HK$140,000,000 on the ground of certain cumulative conditions being met within the prescribed time.

Since the conditions of waiver were not fully satisfied and Altair Asia failed to redeem all the participating shares pursuant to the subscription terms, the Group commenced legal proceedings in the High Court of Hong Kong against Altair Asia's two guarantors, including (1) a winding-up petition against China Silver Asset Management (Hong Kong) Limited ("CSAMHK"); and (2) a bankruptcy petition against Frank Dominick; and a winding-up petition against Altair Asia in the Grant Court of the Cayman Islands (the "Cayman Court") for the recovery of the investment.

On 11 March 2020, the High Court of Hong Kong handed down its decision ordering, among others, that (1) CSAMHK be wound up; and (2) the bankruptcy petition against Frank Dominick be adjourned. On 19 March 2020, CSAMHK lodged its notice of appeal to appeal against the said decision. The date of the appeal hearing is yet to be fixed.

On 4 November 2020, the Group presented another creditor's winding up petition against Altair Asia in the Cayman Court.

On 7 December 2020, the Honourable Justice made a winding up order against Altair Asia and appointed joint and several liquidators ("Liquidators"). The Group has claims against Altair Asia in the approximate sum of United States Dollar ("US$") 17,494,271.36 (equivalent to approximately HK$135,624,000) plus interest and cost arising out of the redemption of shares in Altair Asia.

The extent of any recovery from the liquidation estate is uncertain and depends on the ability of the Liquidators to realise Altair Asia's assets and to investigate its affairs.

The Group has engaged an independent professional valuer to assist the Group to assess the fair value of the investment in Altair Asia. As at 31 December 2020, based on the valuation performed, the directors of the Company considered that the carrying amount of the investment in Altair Asia was approximately HK$nil (2019: HK$20,000,000).

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

Notes: (continued)

(vi) The held-for-trading investment funds in elsewhere include the following: (continued)

(b) OBOR Stable Growth Fund Limited

The principal investment objective of OBOR Stable Growth Fund Limited (the "OBOR Fund") is to seek to achieve long term capital appreciation by investing primarily in listed companies in Asia countries. The OBOR Fund will invest mainly in a portfolio of listed equities, but may also invest in equity related instruments including convertible bonds, options and warrants relating to listed equities and index future contracts. The OBOR Fund will make investments in companies located in Greater China and throughout Asia (ex-Japan) in countries participating in or expected to benefit from One Belt One Road. The OBOR Fund may also invest in debt securities mainly through investing in convertible bonds.

On 1 January 2020, the balance of approximately HK$508,684,000 was reclassified to financial assets at FVTOCI. Details are set out in note 21 (ii) to the consolidated financial statements.

The held-for-trading investment funds in Hong Kong including the following:

(a) Sinolink Securities (HK) Co. Limited

A portfolio of debt investments in Hong Kong managed by Sinolink Securities (HK) Co. Limited. As at 31 December 2020, its fair value amounted to approximately HK$355,325,000 (2019: HK$543,697,000).

(b) Guotai Global Investments Limited No. 3

A portfolio of listed equity investments in Hong Kong managed by Guotai Global Investments Limited. As as 31 December 2020, its fair value amounted to approximately HK$278,363,000 (2019: HK$nil).

(vii) The other investment funds in elsewhere include the following:

(a) Haitong Freedom Multi-Tranche Bond Fund

The Haitong Freedom Multi-Tranche Bond Fund (the "Haitong Freedom Fund") primarily invests in fixed income securities such as government, corporate or convertible bonds, private placement debt, notes linked to fixed income instruments or preferred shares, other bond funds, money market funds or cash. The Haitong Freedom Fund may invest in debt securities that are rated below investment grade or which are unrated by any relevant agency. As at 31 December 2020, its fair value was amounted to approximately HK$368,694,000 (2019: HK$428,193,000).

(b) SCCS Investment Fund LP

The SCCS Investment Fund LP (the "SCCS Fund") invests in equity, equity-related or debt investment in logistics real estate, pension real estate, student residence, internet data centres and other real estate assets or real estate related portfolios, and/or any other investment in US$ denominated bonds. As at 31 December 2020, its fair value was amounted to approximately HK$256,840,000 (2019: HK$236,364,000).

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

Notes: (continued)

(vii) The other investment funds in elsewhere include the following: (continued)

(c) Amber Hill ES Fund SPC

The Amber Hill ES Fund SPC invests in foreign exchange, foreign exchange options, equity, fixed income securities, exchange trade funds, foreign exchange futures and other foreign exchange related securities. As at 31 December 2020, its fair value was amounted to approximately HK$165,435,000 (2019: HK$nil).

(d) Spring Fund SP

Spring Fund SP enters into swap agreements with the counterparties with a view to swap certain payments derived from senior note instruments. As at 31 December 2020, its fair value was amounted to approximately HK$162,105,000 (2019: HK$nil).

(e) Ascent Finance Limited

Ascent Finance Limited enters into swap agreements with the counterparties with a view to swap certain payments derived from a managed portfolio. As at 31 December 2020, its fair value was amounted to approximately HK$261,553,000 (2019: HK$nil).

(f) ABCI China Rising Private Equity 3 SP and CEL Odyssey Project Fund LP

ABCI China Rising Private Equity 3 SP and CEL Odyssey Project Fund LP invest in Mangrove 3, Ltd., a company incorporated in the Cayman Islands. As at 31 December 2020, its fair value was amounted to approximately HK$540,171,000 (2019: HK$nil).

(viii) As at 31 December 2020, (i) the balance of approximately HK$151,530,000 represented an unlisted equity investment in a private entity incorporated in the Cayman Islands principally engage in developing artificial intelligence in the PRC; and (ii) the balance of approximately HK$370,159,000 represented an unlisted equity investment in a limited partnership incorporated in the PRC which invests in a private entity principally engage in design, manufacturing and sales of automobiles.

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

Notes: (continued)

(ix) Details of financial assets at FVTPL

Nature of investments	Fair value 2020 HK$'000	Fair value 2019 HK$'000	Net gain/(loss) during the year 2020 HK$'000	Net gain/(loss) during the year 2019 HK$'000	Investment cost 2020 HK$'000	Investment cost 2019 HK$'000
Non-current assets						
Listed equity investments						
– In Hong Kong	**50,422**	327,875	**32,524**	(1,132,888)	**59,383**	615,858
Unlisted equity investments						
– In the PRC	**–**	–	**–**	(511)	**–**	511
– In elsewhere	**–**	289,407	**–**	(18,958)	**–**	381,655
	–	289,407	**–**	(19,469)	**–**	382,166
Investment fund						
– In the PRC	**–**	33,365	**–**	–	**–**	34,090
Club membership debenture						
– In Hong Kong	**5,500**	6,050	**(550)**	(150)	**4,200**	4,200
	55,922	656,697	**31,974**	(1,152,507)	**63,583**	1,036,314
Current assets						
Held-for-trading listed equity investments						
– In Hong Kong	**2,132,356**	382,533	**554,948**	(262,840)	**2,040,631**	589,848
– In the PRC	**87,769**	–	**109,863**	–	**79,387**	–
– In elsewhere	**68,765**	77,981	**(12,349)**	–	**77,525**	77,981
	2,288,890	460,514	**652,462**	(262,840)	**2,197,543**	667,829
Held-for-trading investment funds						
– In Hong Kong	**633,688**	543,697	**13,073**	3,278	**620,730**	550,000
– In the PRC	**5,860**	3,280	**3**	1,715	**4,003**	3,352
– In elsewhere	**–**	528,684	**(20,000)**	58,554	**140,000**	725,611
	639,548	1,075,661	**(6,924)**	63,547	**764,733**	1,278,963
Other investments funds						
– In elsewhere	**1,754,798**	664,557	**75,639**	(9,990)	**1,692,257**	674,547
Held-for-trading listed bonds						
– In Hong Kong	**653,338**	–	**46,767**	(1,266)	**615,068**	–
Unlisted equity investments						
– In the PRC	**521,689**	–	**2,457**	–	**462,776**	–
	5,858,263	2,200,732	**770,401**	(210,549)	**5,732.377**	2,621,339

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

Notes: (continued)

(x) Net unrealised gain/(loss) from financial assets at FVTPL:

	2020 **HK$'000**	2019 HK$'000
Net unrealised gain/(loss) from financial assets at FVTPL for the year:		
Listed equity investments		
– In Hong Kong	**(985)**	(1,132,888)
Unlisted equity investments		
– In the PRC	**–**	(511)
– In elsewhere	**–**	(18,958)
Club membership debenture		
– In Hong Kong	**(550)**	(150)
Held-for-trading listed equity investments		
– In Hong Kong	**115,669**	(263,835)
– In the PRC	**59,595**	–
– In elsewhere	**(8,742)**	–
Held-for-trading investment funds		
– In Hong Kong	**19,261**	3,278
– In the PRC	**3**	–
– In elsewhere	**(20,000)**	76,311
Other investment funds		
– In elsewhere	**72,518**	(9,990)
Held-for-trading listed bonds		
– In elsewhere	**37,705**	–
Unlisted equity investments		
– In the PRC	**2,457**	–
	276,931	(1,346,743)

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

Notes: (continued)

(xi) Net realised gain/(loss) from financial assets at FVTPL:

	2020 **HK$'000**	2019 HK$'000
Net realised gain/(loss) from financial assets at FVTPL for the year:		
Listed equity investments		
– In Hong Kong	**33,509**	–
Held-for-trading listed equity investments		
– In Hong Kong	**439,279**	995
– In the PRC	**50,268**	–
– In elsewhere	**(3,607)**	–
Held-for-trading investment funds		
– In Hong Kong	**(6,188)**	–
– In the PRC	**–**	1,715
– In elsewhere	**–**	(17,757)
Held-for-trading investment bonds		
– In Hong Kong	**–**	(1,266)
Held-for-trading listed bonds		
– In elsewhere	**9,062**	–
Other investment funds		
– In elsewhere	**3,121**	–
	525,444	(16,313)

(xii) For the year ended 31 December 2020, the Group's investments in debt instruments at FVTPL mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay etc). The directors of the Company consider that the credit risk relating to debt instruments at FVTPL is not significant.

23. FINANCE LEASE RECEIVABLES

The present values of minimum finance lease receivables are set out below:

	2020 HK$'000	2019 HK$'000
Within one year	**918,500**	1,634,145
Later than one year and not later than second year	**370,848**	954,664
Later than second year and not later than fifth year	**223,454**	523,856
Gross amount of finance lease receivables	**1,512,802**	3,112,665
Less: unearned finance income	**(206,176)**	(284,858)
Present value of minimum lease payment receivables	**1,306,626**	2,827,807

The carrying amounts of finance lease receivables are set out below:

	2020 HK$'000	2019 HK$'000
Within one year	**759,072**	1,436,872
Later than one year and not later than second year	**334,212**	890,173
Later than second year and not later than fifth year	**213,342**	500,762
Carrying amount of finance lease receivables	**1,306,626**	2,827,807
Analysed for reporting purpose as:		
Non-current assets	**547,554**	1,390,935
Current assets	**759,072**	1,436,872
	1,306,626	2,827,807

	2020 HK$'000	2019 HK$'000
At the beginning of the year	**2,827,807**	2,819,308
Movement for the year	**(557,534)**	411,994
Allowance for impairment loss	**(987,074)**	(342,076)
Exchange realignment	**23,427**	(61,419)
At the end of the year	**1,306,626**	2,827,807

23. FINANCE LEASE RECEIVABLES (continued)

The Group entered into finance lease arrangements as a lessor for machine and equipment. The average terms of finance lease entered into usually range from 1 to 5 years.

Interest rates implicit in the above finance leases range from 4.75% to 12.00% (2019: 4.75% to 12.00%).

The Group's finance lease receivables are denominated in Renminbi ("RMB").

An aging analysis of the finance lease receivables which had been past due based on the number of past due days is as follows:

	2020	2019
	HK$'000	HK$'000
Within 30 days	**–**	598
31 days to 90 days	**8,284**	10,555
91 days to 180 days	**265,379**	455,436
181 days to 1 year	**541,047**	–
1 year to 2 years	**460,280**	–
	1,274,990	466,589

Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As at 31 December 2020, finance lease receivables of approximately HK$1,571,706,000 (2019: HK$325,867,000) was credit-impaired under the lifetime ECL.

23. FINANCE LEASE RECEIVABLES (continued)

As at 31 December 2020, finance lease receivables with carrying amount of approximately HK$67,940,000 (2019: HK$282,102,000) have been pledged to secure for bank borrowings.

Movement of allowance for credit loss is as follow:

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 January 2019	7,007	78,182	64,648	149,837
Transfer	(3,953)	3,953	–	–
Movement during the year	3,264	202,368	136,444	342,076
Exchange realignment	(134)	(5,990)	(4,237)	(10,361)
At 31 December 2019 and 1 January 2020	6,184	278,513	196,855	481,552
Transfer	–	(273,562)	273,562	–
Movement during the year	(4,060)	(369)	991,503	987,074
Exchange realignment	398	17,893	12,423	30,714
At 31 December 2020	**2,522**	**22,475**	**1,474,343**	**1,499,340**
ECL rate at 31 December 2019	0.55%	15.03%	60.41%	14.55%
ECL rate at 31 December 2020	**0.33%**	**4.71%**	**93.81%**	**53.43%**

The significant changes in the allowance for credit loss during the year ended 31 December 2020 are mainly due to: –

Transfer of finance lease receivables of approximately HK$1,224,952,000 from lifetime ECL not credit-impaired to lifetime ECL credit-impaired, resulting in an increase in loss allowance of approximately HK$854,201,000.

23. FINANCE LEASE RECEIVABLES (continued)

The following table sets forth the finance lease receivables (after impairment) attributable to individual customer:

	2020		2019	
	HK$'000	**%**	HK$'000	%
Customer A	**418,253**	**32.01**	471,641	16.68
Customer B	**138,246**	**10.58**	–	–
Customer C	**84,056**	**6.43**	153,250	5.42
Customer D	**84,034**	**6.43**	152,594	5.40
Customer E[1]	**54,681**	**4.19**	505,242	17.87
Customer F	**51,766**	**3.96**	78,198	2.77
Customer G	**48,835**	**3.74**	–	–
Customer H	**48,296**	**3.70**	100,701	3.56
Customer I	**44,538**	**3.41**	62,783	2.22
Customer J	**41,404**	**3.17**	42,681	1.51
Customer K	**37,956**	**2.91**	62,804	2.22
Customer L	**36,498**	**2.79**	34,920	1.23
Customer M	**35,483**	**2.72**	55,430	1.96
Customer N	**33,525**	**2.57**	49,779	1.76
Customer O	**31,129**	**2.38**	46,678	1.65
Customer P	**31,095**	**2.38**	46,981	1.66
Customer Q	**24,487**	**1.87**	33,044	1.17
Customer R	**23,037**	**1.76**	213,144	7.54
Customer S	**19,663**	**1.50**	36,953	1.31
Customer T[1]	**19,644**	**1.50**	181,401	6.41
Customer U	**–**	**–**	183,571	6.49
Customer V	**–**	**–**	148,111	5.24
Customer W	**–**	**–**	129,012	4.56
Customer X	**–**	**–**	20,597	0.73
Customer Y	**–**	**–**	18,292	0.64
	1,306,626	**100.00**	2,827,807	100.00

1 Customer E and T are within the same group.

23. FINANCE LEASE RECEIVABLES (continued)

During the years ended 31 December 2020 and 2019, all the lessees of the Group are located in the PRC. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased assets.

As at 31 December 2020, the Group's finance lease receivables were secured by collaterals, being deposits of approximately HK$29,953,000 (2019: HK$19,463,000) (note 28) and plant and machinery. Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

The Group is not permitted to sell, or repledge the collaterals of the finance lease receivables without consent from the lessees in the absence of default by the lessees. No assets have been repledged to secure borrowings of the Group as at 31 December 2020 and 2019.

Further details of impairment assessment for the years ended 31 December 2020 and 2019 are set out in note 41 to the consolidated financial statements.

24. LOANS RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Loans receivables	**3,553,263**	2,763,797
Less: allowance for impairment loss	**(216,981)**	(76,312)
	3,336,282	2,687,485
Analysed for reporting purpose as:		
Non-current assets	**132,373**	37,474
Current assets	**3,203,909**	2,650,011
	3,336,282	2,687,485

24. LOANS RECEIVABLES (continued)

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 4% to 20% per annum (2019: from 4% to 20% per annum). The grants of these loans were approved and monitored by the Group's management.

	2020 **HK$'000**	2019 HK$'000
Type of borrowers that loans receivables are arising from:		
Individual customers	**182,465**	185,538
Corporate customers	**3,370,798**	2,578,259
	3,553,263	2,763,797
Less: allowance for impairment loss		
Individual customers	**(16,603)**	(4,442)
Corporate customers	**(200,378)**	(71,870)
	(216,981)	(76,312)
	3,336,282	2,687,485

	2020 **HK$'000**	2019 HK$'000
Analysis of loans receivables by types of collateral:		
Corporate guarantee	**2,773,167**	1,757,368
Share charges	**450,836**	518,531
Share charges and personal guarantee	**2,823**	2,823
Personal guarantee and USD bonds	**–**	195,084
Unsecured	**326,437**	289,991
	3,553,263	2,763,797

An aging analysis of loans receivables (net of impairment), determined based on the time to maturity of the loans receivables, as at the end of the reporting period is as follows:

	2020 **HK$'000**	2019 HK$'000
To be due within:		
Within 90 days	**723,914**	512,686
91 days to 180 days	**640,190**	–
181 days to 1 year	**1,839,805**	2,137,325
1 year to 2 years	**132,373**	37,474
	3,336,282	2,687,485

24. LOANS RECEIVABLES (continued)

The Group's loans receivables are mainly denominated in:

	2020 HK$'000	2019 HK$'000
HK$	252,994	527,925
US$	2,769,528	1,740,434
RMB	313,760	419,126
	3,336,282	2,687,485

An aging analysis of the loans receivables which had been past due based on the number of past due days is as follows:

	2020 HK$'000	2019 HK$'000
Within 30 days	–	155,175
31 days to 90 days	–	178,273
91 days to 180 days	–	–
181 days to 1 year	192,854	–
1 year to 2 years	8,000	–
	200,854	333,448

At the end of reporting period, 78.05% (2019: 63.59%) of the total loans receivables were due from the Group's five largest debtors while 28.84% (2019: 35.35%) were due from the Groups' largest debtor.

24. LOANS RECEIVABLES (continued)

Movement of allowance for credit loss is as follow:

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 January 2019	8,470	2,016	45,504	55,990
Transfer	(710)	(1,306)	2,016	–
Movement during the year	14,146	5,885	396	20,427
Exchange realignment	(105)	–	–	(105)
At 1 December 2019 and 1 January 2020	21,801	6,595	47,916	76,312
Transfer	(4,221)	3,774	447	–
Acquisition of a subsidiary	–	–	9,500	9,500
Movement during the year	(14,079)	145,124	–	131,045
Exchange realignment	147	(23)	–	124
At 31 December 2020	**3,648**	**155,470**	**57,863**	**216,981**
ECL rate as at 31 December 2019	0.92%	3.57%	23.54%	2.76%
ECL rate as at 31 December 2020	**0.13%**	**27.40%**	**28.16%**	**6.11%**

The significant changes in the allowance for credit loss during the year ended 31 December 2020 are mainly due to: –

Origination or purchase as well as changes in probability of default, loss given default and exposure at default as a result of regular update of parameters, resulting in an increase in loss allowance of approximately HK$130,330,000.

Further details of impairment assessment for the years ended 31 December 2020 and 2019 are set out in note 41 to the consolidated financial statements.

25. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables arising from the ordinary course of business of:		
– Dealing in securities	**403,302**	–
– Asset management	**53,092**	36,227
– Operation of an asset trading platform	**4,829**	20,227
– Corporate services	**–**	9,900
– Others	**6,136**	16,199
	467,359	82,553
Less: allowance for credit losses	**(9,266)**	(2,426)
	458,093	80,127
Prepayments	**48,155**	40,021
Deposits (Note (i))	**29,966**	70,721
Interest receivables	**145,634**	134,538
Other receivables (Note (ii))	**251,957**	710,926
	475,712	956,206
	933,805	1,036,333

The Group's trade and other receivables are mainly denominated in:

	2020 HK$'000	2019 HK$'000
HK$	**234,592**	363,729
US$	**330,582**	81,114
RMB	**368,631**	591,490
	933,805	1,036,333

25. TRADE AND OTHER RECEIVABLES (continued)

Notes:

(i) The deposits mainly represent guarantee deposits of approximately HK$22,546,000 (2019: HK$58,154,000) paid to various entities in accordance with the cooperation agreements entered into between Shangao Puhui (Shenzhen) Information Services Co., Ltd.* (山高普惠(深圳)信息服務有限公司)("Shangao Puhui"), an indirect non-wholly-owned subsidiary of Kun Peng, and these entities, for the purpose of Shangao Puhui providing financial guarantee to borrowers that obtained financing from lenders via these entities through Shangao Puhui money lending referral service business. In the opinion of the directors of the Company, to the best knowledge, belief, information of and after making all reasonable enquiries, these entities are independent third parties of the Group. Shangao Puhui is exposed to the guaranteed loan principal of the borrowers and the respective interests. The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. In the opinion of the directors of the Company, 12 months ECL in respect of these deposits paid of approximately HK$203,000 (2019: HK$534,000) have been provided as at 31 December 2020; and

(ii) Other receivables mainly represent:

(a) an amount due from China Hover Dragon Group Limited ("China Hover Dragon") of approximately RMB123,121,000 (equivalent to approximately of HK$145,709,000) (2019: RMB123,121,000 (equivalent to approximately of HK$136,932,000)) which had been past due from 30 August 2017.

The amount is secured by the shares issued by the Company upon acquisition of Hong Kong Leasing. Pursuant to the Hong Kong Leasing Sale and Purchase Agreement (as defined in note 45(a)), 737,774,989 shares issued by the Company (the "Bad Debt Repurchase Shares") could be repurchased by the Company from the shareholders of China Hover Dragon at nil consideration.

The Bad Debt Repurchase Shares have an aggregate fair value of approximately HK$276,666,000 as at 31 December 2020 (2019: HK$176,328,000). The directors of the Company considered that the fair value of the Bad Debt Repurchase Shares is higher than the carrying amount of the amount due from China Hover Dragon as at 31 December 2020, therefore, the amount is fully recoverable and no impairment loss has been provided as at 31 December 2020 and 2019.

The repurchase of the Bad Debt Repurchase Shares is under legal proceedings as at 31 December 2020 and the date of approval of the consolidated financial statements of the Group for the year ended 31 December 2020. However, as described in note 45(a), the directors of the Company considered that the Bad Debt Repurchase Shares could be repurchased by the Company at nil consideration. Details of the legal proceeding are disclosed in note 45(a).

The amount due from China Hover Dragon is non-interest bearing.

25. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) Other receivables mainly represent: (continued)

(b) proceeds with an aggregate amount of approximately HK$351,000,000 (2019: HK$351,000,000) arising from the disposals of certain investments in prior year. These receivables were matured in August 2019. The Group has entered into supplemental agreements with the buyers to extend the maturity date to April 2020. The remaining consideration is interest bearing at 9% per annum and secured by share charges over the entire issued share capital of entities owned the disposed investments.

The Group has engaged an independent professional valuer to assist the Group to assess fair value of the collateral. Based on the valuation performed, the directors of the Company considered that accumulated lifetime ECL in respect of these venders amounted to approximately HK$351,000,000 (2019: HK$298,350,000) as at 31 December 2020.

(c) During the year ended 31 December 2019, the Group has entered into an agreement with an independent third party to dispose a consideration receivable of approximately HK$239,400,000 with interest of approximately HK$29,987,000, which was due in August 2019 and pledged with share charges, at a cash consideration of approximately HK$265,000,000. The amount was fully settled after the end of the reporting period.

(d) commercial bills receivables which factored by independent third parties to the Group with principal amounts of approximately HK$124,007,000 as at 31 December 2019. The commercial bills receivables were with recourse and factored with discount rates ranging from 6.5% to 11% per annum and repayable within one year. 12-months ECL in respect of these receivables of approximately HK$1,116,000 had been provided as at 31 December 2019. All the commercial bills receivables had been repaid by the independent third parties and the 12-months ECL had been provided in the prior years had been reversed as at 31 December 2020.

25. TRADE AND OTHER RECEIVABLES (continued)

The following is an aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date (or date of revenue recognition, if earlier):

	2020 HK$'000	2019 HK$'000
Within 90 days	438,926	48,165
91 days to 180 days	–	3,526
181 days to 1 year	10,186	11,144
Over 1 year	8,981	17,292
	458,093	80,127

The Group has a policy of granting trade customers, except for trade receivable attributable to the dealing in securities transactions with credit of generally within 90 (2019: 90) days.

The settlement terms of trade receivables attributable to the dealing in securities transactions are two days after the trade date, except for the balances with margin clients which are repayable on demand.

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$19,167,000 (2019: HK$38,584,000) which are past due as at the reporting date.

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

	2020 HK$'000	2019 HK$'000
Not yet past due	438,926	41,543

As at 31 December 2020, except for margin loans receivables of HK$401,839,000 (2019: HK$nil), which were secured by underlying equity securities amounted to approximately HK$3,019,853,000 (2019: HK$nil), the Group did not hold any collateral or other credit enhancements over these balances.

25. TRADE AND OTHER RECEIVABLES (continued)

Movement of allowance for credit losses on trade receivables, except for those margin loans receivables, with the simplified approach set out in HKFRS 9 for the years ended 31 December 2020 and 2019:

	Lifetime ECL not credit-impaired HK$'000
At 1 January 2019	592
Movement during the year	2,153
Exchange realignment	(319)
At 1 December 2019 and 1 January 2020	2,426
Movement during the year	3,063
Exchange realignment	147
At 31 December 2020	**5,636**

Movement of allowance for credit loss on margin loans receivables is as follow:

	12m ECL HK$'000	**Lifetime ECL not credit-impaired HK$'000**	**Lifetime ECL credit-impaired HK$'000**	**Total HK$'000**
At 1 January 2019, 31 December 2019, and 1 January 2020	–	–	–	–
Movement during the year	3,630	–	–	3,630
At 31 December 2020	**3,630**	**–**	**–**	**3,630**
ECL rate as at 31 December 2020	**0.90%**	**N/A**	**N/A**	**0.90%**

25. TRADE AND OTHER RECEIVABLES (continued)

Movement of allowance for credit loss on deposits, interest receivables and other receivables is as follow:

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 January 2019	5,201	68,493	2,720	76,414
Movement during the year	1,963	231,721	1,813	235,497
Exchange realignment	(345)	(28)	(95)	(468)
At 31 December 2019 and 1 January 2020	6,819	300,186	4,438	311,443
Transfer	–	(300,268)	300,268	–
Movement during the year	12,207	–	52,650	64,857
Exchange realignment	234	82	284	600
At 31 December 2020	**19,260**	**–**	**357,640**	**376,900**
ECL rate as at 31 December 2019	0.97%	57.43%	100%	25.37%
ECL rate as at 31 December 2020	**4.31%**	**N/A**	**100%**	**46.85%**

26. RESTRICTED CASH

	2020 HK$'000	2019 HK$'000
Client monies for loan arrangement service	**65,254**	17,024
Pledged for bank borrowings	**22,426**	14,585
Client monies for asset trading platform	**678**	33,314
	88,358	64,923

The restricted bank deposits bear interest at the prevailing market rates.

27. CASH AND CASH EQUIVALENTS

	2020	2019
	HK$'000	HK$'000
Cash and bank balances	**5,047,527**	8,214,075
Less: Cash held on behalf of clients	**(1,779)**	–
Cash and cash equivalents	**5,045,748**	8,214,075

The Group maintains segregated trust accounts with authorised financial institutions to hold clients' monies arising from its normal course of business. The Group has recognised the corresponding payables (note 28) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. The Group is not allowed to use the client's monies to settle its own obligations.

Cash and cash equivalents were denominated in the following currencies:

	2020	2019
	HK$'000	HK$'000
HK$	**2,267,544**	89,844
RMB	**1,087,169**	259,391
Singapore Dollar ("SGD")	**2,502**	–
US$	**1,688,533**	7,864,840
	5,045,748	8,214,075

Cash at banks earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2020, the Group maintained cash and cash equivalents amounting to approximately HK$947,388,000 (2019: HK$225,837,000) in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

28. OTHERS PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Accrued expenses	**30,409**	51,189
Guarantee deposits received from finance lease lessees (note 23)	**29,953**	19,463
Contract liabilities (Note (i))	**136,258**	32,082
Amount due to an associate	**1,658**	1,585
Amounts due to non-controlling interests	**59**	57
Deposits received from customers in trading platform business	**619**	2,409
Payable arising from dealing in securities	**692**	–
Other payables		
– Interest payables	**7,810**	9,043
– Others (Note (ii))	**116,475**	102,547
	323,933	218,375
Analysed for reporting purpose as:		
Non-current liabilities	**21,910**	19,480
Current liabilities	**302,023**	198,895
	323,933	218,375

Note:

(i) Liabilities related to contract with customers

	2020 HK$'000	2019 HK$'000
Contract liabilities		
– Accruing interest expense on loan receivables	**–**	9,957
– Receiving forward instalments of finance lease receivables	**27,683**	21,982
– Billings in advance of performance in respect of asset management activities	**108,575**	143
	136,258	32,082

28. OTHERS PAYABLES AND ACCRUALS (continued)

Note: (continued)

(i) (continued)

Movement in contract liabilities

	2020	2019
	HK$'000	HK$'000
Balance at the beginning of the year	**32,082**	23,941
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(32,082)**	(23,941)
Increase in contract liabilities as a result of accruing interest expense on loans receivables	**–**	9,957
Increase in contract liabilities as a result of receiving forward instalments of finance lease receivables	**27,683**	21,982
Increase in contract liabilities as a result of billings in advance of asset management activities	**108,575**	143
Balance at the end of the year	**136,258**	32,082

When the Company receives fee income before service rendered, this will give rise to contract liabilities at the start of the contracts, until the revenue recognised on the project exceeds the amount of fee income received.

(ii) The amount mainly represents (a) balances received on behalf of customers in the online investment and technology-enabled lending platform in the PRC of approximately HK$873,000 (2019: HK$1,128,000); and (b) other tax payable and surcharge of approximately HK$20,772,000 (2019: HK$10,967,000).

29. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
– within one year	**13,270**	2,025
– more than one year but not more than two years	**12,242**	8,911
– more than two years but not more than five years	**11,895**	15,673
– more than five years	**6,365**	1,067
	43,772	27,676

Lease obligations are mainly denominated in RMB and HK$.

30. BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank borrowings (Note (i))		
– Repayable within one year	**390,592**	464,818
– Repayable after one year but within two years	**2,046,995**	777,756
– Repayable after two years but within five years	**493,757**	1,583,001
Bonds (Note (ii))		
– Repayable within one year	**6,618,969**	4,816,820
– Repayable after one year but within two years	**3,940,427**	–
– Repayable after two years but within five years	**–**	3,973,523
– Repayable after five years	**789,224**	793,841
Other borrowings (Note (iii))		
– Repayable within one year	**433,063**	154,882
– Repayable after one year but within two years	**116,287**	–
	14,829,314	12,564,641
Analysed for reporting purpose as:		
Non-current liabilities	**7,386,690**	7,128,121
Current liabilities	**7,442,624**	5,436,520
	14,829,314	12,564,641
Analysed as:		
Secured	**231,681**	146,888
Unsecured	**14,597,633**	12,417,753
	14,829,314	12,564,641

30. BORROWINGS (continued)

Notes:

(i) Bank borrowings

	2020		2019	
	HK$'000	**Effective interest rate**	HK$'000	Effective interest rate
Term loans				
– Variable rate (note 38(a))	**572,203**	**5.90%-9.45%**	553,306	5.655%-6.175%
Unsecured loans				
– Variable rate (Note (a))	**2,125,436**	**1.65%-7.30%**	1,996,146	2.45%-2.92%
– Fixed rate (Note (a))	**2,024**	**8.30%**	129,235	7.99%
Secured loans				
– Variable rate (Note (b))	**152,109**	**1.04%**	–	–
– Fixed rate (Note (b))	**79,572**	**6.90%-7.99%**	146,888	6.50%-8.50%
	2,931,344		2,825,575	

Notes:

(a) As at 31 December 2020, the unsecured loans included loans with carrying amounts of approximately HK$2,125,436,000 (2019: HK$1,996,146,000) that were guaranteed by Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group"), approximately HK$81,180,000 (2019: HK$129,235,000) was guaranteed by the Company and approximately HK$2,024,000 (2019: HK$nil) was guaranteed by a director of a subsidiary of the Company.

(b) As at 31 December 2020, there are three (2019: three) secured loans, (i) a loan with carrying amount of approximately HK$45,867,000 (2019: HK$86,208,000) was guaranteed by the Company and secured by certain finance lease receivables with carrying amount of approximately HK$48,296,000 (2019: HK$100,701,000); (ii) a loan with carrying amount of approximately HK$33,705,000 (2019: HK$59,568,000) was guaranteed by a subsidiary of the Company and secured by certain finance lease receivables with carrying amount of approximately HK$19,644,000 (2019: HK$181,401,000); and (iii) a loan with carrying amount of approximately HK$152,109,000 (2019: HK$nil) was guaranteed by the Company and secured by a financial asset at fair value through other comprehensive income with carrying amount of approximately HK$152,109,000 (2019: HK$nil). As at 31 December 2019, there was a loan with carrying amount of approximately HK$1,112,000 was guaranteed by a director of a subsidiary of the Company. The loan was fully settled during the year ended 31 December 2020.

30. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds

	Notes	2020 HK$'000	2019 HK$'000
US$ denominated bonds			
5.95% bonds mature in 2020	(a)	–	4,806,638
3.80% bonds mature in 2021	(b)	**6,608,698**	–
3.95% bonds mature in 2022	(c)	**3,940,427**	3,963,252
4.30% bonds mature in 2029	(d)	**789,224**	793,841
HK$ denominated bonds			
5.00% bonds mature in 2020		–	10,182
5.00% bonds mature in 2021		**10,271**	10,271
		11,348,620	9,584,184

	2020 HK$'000	2019 HK$'000
At beginning of the year	**9,584,184**	4,759,422
Net proceeds from issuance of bonds during the year	**6,587,757**	9,379,168
Repayment	**(4,688,937)**	(4,687,793)
Interest charged calculated at effective interest rate (note 10)	**339,566**	379,075
Interest paid during the year	**(445,134)**	(234,343)
Exchange realignment	**(28,816)**	(11,345)
At end of the year	**11,348,620**	9,584,184

30. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds (continued)

The interests charged are calculated at effective interest rate and included in cost of services of approximately HK$157,078,000 (2019: HK$193,364,000) in related to financing for the money lending and financial leasing business and finance costs of approximately HK$182,488,000 (2019: HK$185,711,000) (note 10).

(a) On 15 January 2019, Coastal Emerald Limited ("Coastal Emerald") issued 5.95% guaranteed bonds with a principal amount of US$550,000,000 (the "First 5.95% Guarantee Bonds") to independent third parties. On 20 February 2019, Coastal Emerald further issued an additional 5.95% guaranteed bonds with principal amount of US$50,000,000 (the "Second 5.95% Guaranteed Bonds") to independent third parties. The Second 5.95% Guaranteed Bonds were consolidated to form a single series with the First 5.95% Guaranteed Bonds. The First 5.95% Guaranteed Bonds and the Second 5.95% Guaranteed Bonds (collectively referred to as the "5.95% Guaranteed Bonds") in aggregate amount of approximately HK$4,678,937,000) will mature on 13 January 2020. The 5.95% Guaranteed Bonds are guaranteed by the Company and with the benefit of a keepwell deed by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 5.95% Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Guaranteed Bonds, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.

Further details are set out in the announcements of the Company dated 8 January 2019, 15 January 2019 and 19 February 2019.

The 5.95% Guaranteed Bonds was fully repaid during the year ended 31 December 2020.

(b) On 3 June 2020, Coastal Emerald issued 3.80% guaranteed bonds (the "3.80% Guaranteed Bonds – I") with a principal amount of US$800,000,000 to independent third parties. The 3.80% Guaranteed Bonds – I will mature on 1 June 2021. The 3.80% Guaranteed Bonds – I are guaranteed by the Company with the benefit of a keepwell deed and a deed of equity interest purchase undertaking provided by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 3.80% Guaranteed Bonds – I. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the 3.80% Guaranteed Bonds – I, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.

On 16 September 2020, Coastal Emerald issued 3.80% guaranteed bonds (the "3.80% Guaranteed Bonds – II") with a principal amount of US$50,000,000 to an independent third party. The 3.80% Guaranteed Bonds – II will mature on 14 September 2021 and are guaranteed by the Company.

30. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds (continued)

(c) On 1 August 2019, Coastal Emerald issued 3.95% guaranteed bonds (the "3.95% Guaranteed Bonds") with a principal amount of US$500,000,000 to independent third parties. The 3.95% Guaranteed Bonds will mature on 1 August 2022. The 3.95% Guaranteed Bonds are guaranteed by the Company with the benefit of a keepwell deed and a deed of equity interest purchase undertaking provided by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 3.95% Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Guaranteed Bonds, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due. Further details are set out in the announcements of the Company dated 26 July 2019.

(d) On 25 July 2019, Coastal Emerald issued 4.30% guaranteed bonds (the "4.30% Guaranteed Bonds") with a principal amount of US$100,000,000 to an independent third party. The 4.30% Guaranteed Bonds will mature on 31 July 2029 and are guaranteed by Shandong Hi-Speed Group.

(iii) Other borrowings

As at 31 December 2020, the Group has three (2019: one) outstanding other borrowings, including (a) a borrowing with an amount of approximately US$19,861,000 (2019: US$19,861,000) (equivalent to approximately HK$153,973,000 (2019: HK$154,882,000)) from a securities company, which is unsecured, bearing interest at 2.94% per annum. The amount was originally repayable in the year ended 31 December 2020 but its maturity was extended to 23 May 2021; (b) a borrowing with an amount of approximately US$15,000,000 (2019: US$nil) (equivalent to approximately HK$116,287,000 (2019: US$nil)) from a securities company, which is unsecured, bearing interest at 3.50% per annum and repayable on 28 June 2022; and (c) a borrowing with an amount of approximately US$36,000,000 (2019: HK$nil) (equivalent to approximately HK$279,090,000 (2019: HK$nil) from a securities company, which is unsecured, bearing interest at 3 months LIBOR+3.5% per annum and repayable on 18 June 2021.

31. CONVERTIBLE BONDS

At at 31 December 2020 and 2019, the Group had no outstanding convertible bond. During the year ended 31 December 2019, the Group had fully redeemed the convertible bond 5 ("CB 5").

CB 5

On 6 February 2018, the Group issued 6% US$ denominated convertible bonds with the aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). The proceed of the CB 5 was used to redeem another convertible bond in full in an aggregate amount of US$40,000,000 (equivalent to approximately HK$310,000,000). CB 5 is divided into two tranches, namely Tranche A Bonds and Tranche B Bonds. Tranche A Bonds in the principal amount of US$20,000,000 (equivalent to approximately HK$155,000,000) entitles the holder to convert to the Company's ordinary shares at a conversion price of HK$0.35 and Tranche B Bonds in the principal amount of US$20,000,000 (equivalent to approximately HK$155,000,000) entitles the holder to convert to the Company's ordinary shares at a conversion price of HK$0.42. If the average closing price of the shares of the Company for any five consecutive trading days is equal to or greater than HK$0.38, the Tranche A Bonds shall immediately become convertible into shares of the Company. Both the maturity date of Tranche A Bonds and Tranche B Bonds are on 6 August 2019.

The CB 5 bears interest at 6% per annum payable in arrears every six months after the date of issue.

The CB 5 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 11.32% per annum.

CB 5 may be converted into shares of the Company at any time on or after issue date up to the close of business on the maturity date.

Unless previously redeemed, converted, purchased or cancelled, the Group will redeem each CB at its principal amount with accrued and unpaid interest thereon on the maturity date.

Details of the CB 5 are set out in the Company's announcements dated 23 January 2018 and 6 February 2018.

31. CONVERTIBLE BONDS (continued)

The information of CB 5 is presented as follows:

	CB 5 HK$'000
Principal amounts:	
– as at issue date	310,000
Interest:	6% p.a. payable semi-annually
Issue date:	6 February 2018
Maturity date:	6 August 2019
Conversion price per share:	HK$0.35 (Tranche A Bonds)/ HK$0.42 (Tranche B Bonds)

31. CONVERTIBLE BONDS (continued)

The convertible bonds recognised in the statement of financial position were calculated as follows:

	CB5 HK$'000
Principal amounts:	
Liability component	306,728
Equity component	3,272
Redeemed	(310,000)
Nominal value of CB	
– as at issue date	310,000
At 1 January 2019	311,037
Imputed interest charge (note 10)	21,643
Interest paid and payable	(42,532)
Redemption	(289,069)
Exchange realignment	(1,079)
At 31 December 2019, 1 January 2020 and 31 December 2020	–

32. DEFERRED TAX LIABILITIES

	Convertible bonds HK$'000	Financial assets at FVTPL HK$'000	Fair value adjustments arising from business combination HK$'000 (note)	Total HK$'000
At 1 January 2019	345	14,495	111,750	126,590
Credited to profit or loss for the year (note 14)	(345)	(14,495)	–	(14,840)
At 31 December 2019, 1 January 2020 and 31 December 2020	–	–	111,750	111,750

Note: As at 31 December 2020, the deferred tax liabilities on fair value adjustments arising from business combination of approximately HK$111,750,000 (2019: HK$111,750,000) represents the deferred tax effect on the fair value movement of license arose from the acquisition of Hong Kong Leasing.

As at 31 December 2020, the Group has unused tax losses of approximately HK$504,108,000 (2019: HK$633,221,000) available for offset against future profits. No deferred tax was recognised in the consolidated statement of financial position as at 31 December 2020 (2019: nil) since it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Expiry dates of unrecognised tax losses are as follows:

	2020 HK$'000	2019 HK$'000
Unrecognised tax losses will expire in:		
2020	**–**	8,546
2021	**5,906**	7,828
2022	**1,254**	1,179
2023	**–**	–
2024	**–**	–
2025	**–**	–
	7,160	17,553
Unrecognised tax losses without expiry date	**496,948**	615,668
	504,108	633,221

33. ISSUED CAPITAL

	2020		2019	
	No. of shares	**Amount**	No. of shares	Amount
	'000	**HK$'000**	'000	HK$'000
Ordinary shares of HK$0.00025 each				
Authorised:				
At the beginning and the end of the reporting period	**2,000,000,000**	**500,000**	2,000,000,000	500,000
Issued and fully paid:				
At the beginning of the reporting period	**24,452,450**	**6,113**	24,452,450	6,113
Repurchase and cancellation of shares (Note)	**(363,066)**	**(91)**	–	–
At the end of the reporting period	**24,089,384**	**6,022**	24,452,450	6,113

Note:

During the year ended 31 December 2020, the Company repurchased 363,065,565 consideration shares from Honesta Investment Limited in accordance with the terms of relevant share purchases agreement. Further details are set out in note 45(b) to the consolidated financial statements. 363,065,565 ordinary shares were then cancelled by the Company. The market price of the Company's shares at the date of repurchase and cancellation was HK$0.52. The premium of approximately HK$188,794,000 on the repurchase of the 363,065,565 consideration shares was charged to the share premium account. An amount equivalent to the par value of the shares cancelled of approximately HK$91,000 was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

33. ISSUED CAPITAL (continued)

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 healthy capital ratios in order to support its business operations 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 or issue new shares.

As at 31 December 2020 and 2019, a subsidiary of the Group licensed by the development of the Shenzhen Municipal Government Financial Services Office is required to maintain a minimum registered share capital of RMB100,000,000 at all times.

As at 31 December 2020, certain subsidiaries of the Group engaged in the securities brokerage business and the provision of asset management service (2019: a subsidiary of the Group engaged in the provision of asset management service) which are regulated entities under the Hong Kong Securities and Futures Commission (the "SFC"), are required to comply with the minimum capital requirements of the SFC.

During the years ended 31 December 2020 and 2019, all the licensed subsidiaries complied with the minimum capital requirements of the development of the Shenzhen Municipal Government Financial Services Office and the SFC respectively.

Save as disclosed above, no changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

	2020	2019
	HK$'000	HK$'000
Total borrowings	**14,829,314**	12,564,641
Total assets	**24,966,194**	23,198,805
Gearing ratio	**59.40%**	54.16%

34. PERPETUAL CAPITAL INSTRUMENT

On 1 August 2019, Coastal Emerald issued a total of US$900,000,000 perpetual capital instrument. The instrument is perpetual, non-callable by Coastal Emerald in the first five years. The holders can receive distribution at a distribution rate of 4.3% per annum, payable semi-annually in arrears. Coastal Emerald may, at its sole discretion, elect to defer any distribution pursuant to the terms and conditions of the instrument if Coastal Emerald and the Company do not declare or pay dividends to their shareholders. The instrument is irrevocably guaranteed by Shandong Hi-Speed Group. The holders can receive step-up interest of 5% per annum upon occurrence of any of the following step-up events:

Change of Control

(i) The State-owned Assets Supervision and Administration Commission ("SASAC") of Shandong Provincial People's Government or its successor SASAC and any other person controlled by the central government of the PRC together cease to control Shandong Hi-Speed Group; (ii) Shandong Hi-Speed Group ceases to own not less than 40% of the issued share capital of the Company or ceases to be the single largest shareholder of the Company; (iii) the Company ceases to wholly own the issued share capital of Coastal Emerald.

Breach of Covenant Event

Non-compliance or non-performance by Coastal Emerald or Shandong Hi-Speed Group of any one or more of its obligations and covenants and the deed of guarantee.

Relevant Indebtedness Default Event

Occurrence of one or more of the following events (and such event is continuing): (i) any indebtedness of Coastal Emerald, Shandong Hi-Speed Group or any of their respective subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of Coastal Emerald, Shandong Hi-Speed Group or (as the case may be) the relevant subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness, or (iii) Coastal Emerald, Shandong Hi-Speed Group or any of their respective subsidiaries fails to pay when due any amount payable by it under any guarantee of any indebtedness; provided that the amount of indebtedness referred to in sub-paragraph (a) and/or sub-paragraph (b) above and/or the amount payable under any guarantee referred to in sub-paragraph (c) above individually or in the aggregate exceeds US$30,000,000 (or its equivalent in any other currency or currencies);

34. PERPETUAL CAPITAL INSTRUMENT (continued)

Dividend Stopper Breach Event

Non-compliance or non-performance by Coastal Emerald or Shandong Hi-Speed Group of any of the restrictions in the case of deferral including (i) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and shall procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any parity securities or junior securities of Coastal Emerald or Shandong Hi-Speed Group; and (ii) not, at its discretion, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any parity securities or junior securities of Coastal Emerald or Shandong Hi-Speed Group.

Movement of the perpetual capital instrument is as follows:

	Principal HK$'000	Distribution HK$'000	Total HK$'000
Balance at 1 January 2019	–	–	–
Issuance of perpetual capital instrument	6,991,778	–	6,991,778
Profit attributable to holders of perpetual capital instrument	–	123,021	123,021
Balance at 31 December 2019 and 1 January 2020	6,991,778	123,021	7,114,799
Profit attributable to holders of perpetual capital instrument	–	259,048	259,048
Distribution to holders of perpetual capital instrument	–	(300,434)	(300,434)
Balance at 31 December 2020	**6,991,778**	**81,635**	**7,073,413**

35. SHARE OPTION SCHEME

The Company's share option scheme ("Old Share Option Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company held on 28 September 2004 for the primary purpose providing incentives to selected participants for their contribution to the Group, and has expired on 27 September 2014. On 18 August 2014, the Company adopted a new share option scheme (the "New Share Option Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company and the New Share Option Scheme has been effective immediately after the Old Share Option Scheme expired. The New Share Option Scheme will remain in force for a period of 10 years until 27 September 2024. Under the New Share Option Scheme, the board of directors of the Company may grant options to the Company's directors, including the INEDs, and other employees of the Group and of the Group's investee entities, and any advisor or agent engaged by any member of the Group or any investee entity.

The maximum number of unexercised share options permitted to be granted under the New Share Option Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 25 September 2014 on which refreshment of the scheme mandate limit was approved at the special general meeting. As at the date of this annual report, the total number of shares available for issue under the New Share Option Scheme is 1,694,371,824 shares of the Company, representing 7.03% of the issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the New Share Option 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.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the INEDs. In addition, any share options granted to a substantial shareholder or an INED of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Under the New Share Option Scheme, the offer of a grant of share options may be accepted within 15 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. There is no provision as to the minimum period for which the share options must be held or the performance targets which must be achieved before the share options can be exercised. The exercise period of the share options granted is determinable by the directors of the Company and commences on the date of grant and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the New Share Option Scheme, if earlier.

35. SHARE OPTION SCHEME (continued)

The exercise price of share options is determinable by the directors of the Company, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of the share options granted under New Share Option Scheme are as follows:

	Number of share option*						Adjusted price of the Company's shares**			
Name of participant	At 1 January 2020 '000	Granted during the year '000	Adjustment due to subdivision '000	At 31 December 2020 '000	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options* HK$ per share	At grant date of share options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of share options HK$ per share
Mr. Yau Wai Lung	169,400	–	–	169,400	5-12-2014	5-12-2014 to 4-12-2024	0.42	0.405	N/A	N/A

	Number of share option*						Adjusted price of the Company's shares**			
Name of participant	At 1 January 2019 '000	Granted during the year '000	Adjustment due to subdivision '000	At 31 December 2019 '000	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options* HK$ per share	At grant date of share options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of share options HK$ per share
Mr. Yau Wai Lung	169,400	–	–	169,400	5-12-2014	5-12-2014 to 4-12-2024	0.42	0.405	N/A	N/A

* The exercise price and the number of share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options after the adjustment due to share subdivision.

35. SHARE OPTION SCHEME (continued)

The estimated fair value of the share options granted on 5 December 2014 was HK$0.948 per share option before adjustment due to share subdivision. The fair value was calculated using the Binomial Model. The inputs into the model were as follows:

	5 December 2014
Expected volatility (%) (Note i)	104.81
Risk-free interest rate (%)	1.73
Option life (year)	10
Dividend yield (%)	0
Weighted average share price before adjustment due to share subdivision (HK$ per share)	1.62
Exercise multiple (Note ii)	2.47

Notes:

(i) The expected volatility is determined based on the historical volatility of the share prices of the Company.

(ii) The exercise multiple defines the early exercise strategy.

No vesting conditions are set for the share options granted on 5 December 2014.

Because the Binomial Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

For the years ended 31 December 2020 and 2019, there are no share-based payment expenses as the Company did not grant any share options during the years ended 31 December 2020 and 2019.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

For the year ended 31 December 2020

(i) Acquisition of Top Wish

On 12 June 2020, the Group acquired the remaining 75% equity interest in a 25%-owned associate, Top Wish pursuant to a sale and purchase agreement date on 12 June 2020 at a consideration of approximately HK$25,300,000. The consideration was settled by cash. Upon completion of the acquisition, the Group holds 100% equity interest in Top Wish. The Group is able to exercise control over Top Wish, which became a wholly-owned subsidiary of the Group. Top Wish acts as an investment holding company and its subsidiaries were principally engaged in securities brokerage business.

The goodwill of approximately HK$47,003,000 arising from the acquisition of the remaining 75% equity interest in Top Wish was recognised for the year ended 31 December 2020. None of the goodwill recognised is expected to be deductible for income tax purposes.

A gain on remeasurement of pre-existing interest in an associate of approximately HK$6,148,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020.

Details of the carrying value and fair value of the Group's pre-existing interest in Top Wish at the acquisition date are summarised as follows:

	HK$'000
Carrying value of pre-existing interest in Top Wish	2,285
Less: Fair value of pre-existing interest	(8,433)
Gain on remeasurement	(6,148)

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Acquisition of subsidiaries (continued)

For the year ended 31 December 2020 (continued)

(i) Acquisition of Top Wish (continued)

The fair values of the identifiable assets acquired and liabilities assumed of Top Wish as at the acquisition date are as follows:

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed at fair value:	
Property, plant and equipment	1,529
Intangible assets	500
Trade and other receivables	16,673
Cash and cash equivalents	5,328
Other payables and accruals	(37,300)
Total identifiable net liabilities at fair value	(13,270)
Gain on remeasurement	(6,148)
Goodwill (note 19)	47,003
	27,585
Satisfied by:	
Cash consideration	25,300
Reclassification from pre-existing interests in associates to investments in subsidiaries	2,285
	27,585
Net cash outflow arising on the acquisition of the remaining 75% interest in Top Wish:	
Cash consideration paid	(25,300)
Cash and cash equivalents acquired	5,328
	(19,972)

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Acquisition of subsidiaries (continued)

For the year ended 31 December 2020 (continued)

(i) Acquisition of Top Wish (continued)

The fair value of the identifiable assets acquired and liabilities assumed have been arrived at on the basis of the valuation of Top Wish at data of acquisition carried out by Peak Vision Appraisals Limited, an independent valuer not connected with the Group.

Goodwill was determined as the excess of the consideration over the fair values of the identifiable assets acquired and liabilities assumed as at the completion date. Goodwill arose in the acquisition of Top Wish because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Top Wish. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The directors of the Company have assessed the recoverable amount of the goodwill based on the higher of fair value less costs of disposal and value in use and determined that there is no impairment of the goodwill at the date of acquisition and at the end of the reporting period. Details of the assessment at the end of the reporting period are set out in note 19 to the consolidated financial statements.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Equity transaction with non-controlling interest

For the year ended 31 December 2019

(i) Laecap

For the year ended 31 December 2019, under the directions of Shenzhen Municipal Financial Regulatory Bureau (Shenzhen Municipal Financial Service Office)(深圳市地方金融監督管理局(深圳市政府金融工作辦公室)) and to the Opinions on the Safe Handling of Remaining Issues and Risks of Local Trading Places*(《關於穩妥處置地方交易場所遺留問題和風險的意見》)issued by the China Securities Regulatory Commission, the Group entered into an agreement with Shenzhen Qianhai Financial Leasing Financial Trading Center Co., Ltd.* (深圳市前海融資租賃金融交易中心有限公司)(now known as "Shenzhen Guangjin United Investment Co., Ltd*" (深圳廣金聯合投資有限公司)), an independent third party, (the "Laecap Investor") that (i) to transfer the Group's 50% equity interest in Shenzhen Asia-Pacific Leasing Assets Exchange Centre Co., Ltd* (深圳亞太租賃資產交易中心有限公司)("Laecap") (the "Laecap Interest") to the Laecap Investor on 30 December 2019; (ii) the Laecap Investor has guaranteed to refrain from engaging in similar business of Laecap; and (iii) the Laecap Investor shall transfer its existing business which are the same and similar to Laecap, related staff and customer relationship to Laecap.

The directors of the Company consider that the Group can exercise control over Laecap through control its board of directors which can direct the relevant activities.

The details of the effect arising on transfer of the Laecap Interest were as follow:

	HK$'000
Carrying amount of net assets	167,450
Non-controlling interests	83,725
Cash receivable by the Group	36,021
Equity movements recognised in accumulated losses	(47,704)

(c) Major non-cash transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following major non-cash transactions:

(i) During the year ended 31 December 2019, the Group entered into new lease agreements for the use of various offices and staff quarters for 1 to 8 years. On the lease commencement, the Group recognised approximately HK$31,862,000 of right-of-use asset and approximately HK$31,862,000 lease liability.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2020 and 2019 are as follows:

Name	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2020	2019	2020	2019	
CSFG International Securities Limited (formerly known as China Innovative Finance Securities Limited)	Hong Kong	HK$564,830,250	–	–	100%	–	Securities brokerage business
C.I.F. Financial Limited	Hong Kong	HK$530,000,001 and US$50,000,000	–	–	100%	100%	Money lending
China Shandong Hi-Speed Capital Limited	BVI	US$1	100%	100%	–	–	Investment in securities
Hong Kong Leasing	Hong Kong	HK$310,000,000	–	–	100%	100%	Investment holding
Heritage Management (Hong Kong) Company Limited	Hong Kong	HK$2	–	–	100%	100%	Provision of corporate services
Prostar Hong Kong Limited	Hong Kong	HK$2	100%	100%	–	–	Provision of corporate services
Mass Nation Investments Limited	BVI	US$1	–	–	100%	100%	Investment holding
Safe Castle Limited	BVI	US$1	–	–	100%	100%	Investment in securities
Viewlock Limited	BVI	US$1	100%	100%	–	–	Investment holding
Coastal Emerald	BVI	US$1	–	–	100%	100%	Issuer of guaranteed bonds and perpetual capital instrument
山高融資租賃(上海)有限公司α	PRC	RMB500,000,000	–	–	100%	100%	Provision of financial leasing
山高國際融資租賃(深圳)有限公司α	PRC	US$48,000,000	–	–	100%	100%	Provision of financial leasing
山高融資租賃(北京)有限公司β	PRC	RMB500,000,000	–	–	100%	100%	Provision of financial leasing
Laecap@**	PRC	RMB100,000,000	–	–	50%	50%	Provision of asset trading platform
山高國際商業保理(深圳)有限公司µ	PRC	RMB100,300,000	–	–	100%	100%	Provision of business factoring
中新金(深圳)投資有限公司*	PRC	USD874,000	–	–	100%	100%	Investment holding
山高(深圳)投資有限公司*	PRC	RMB2,000,000,000	–	–	100%	100%	Provision of financial leasing
深圳前海厚生資產管理有限公司#	PRC	RMB30,000,000	–	–	36%	36%	Provision of asset management in the PRC
Cashlai**	PRC	RMB45,920,001	–	–	36%	36%	Provision for online investment and technology-enabled lending services
Shangao Puhuiµ	PRC	RMB30,000,000	–	–	36%	36%	Provision for investment management

@ Although the Group hold 50% equity interest of Laecap, the directors of the Company consider that the Group can exercise control over this entity through control its board of directors which can direct the relevant activities.

α A Taiwan, Hong Kong or Macao and domestic joint venture enterprise established in the PRC.

β A Sino-foreign equity joint venture enterprise established in the PRC.

µ A limited liability company (solely invested by legal person) established in the PRC.

* A limited liability company (solely invested by Taiwan, Hong Kong or Macao legal person) established in the PRC.

** Other limited liability company established in the PRC.

\# The above represented effective interest indirectly held by the Group. These entities were subsidiaries of Kun Peng, a non-wholly owned subsidiary of the Group and therefore the directors of the Company consider that the Company can exercise control over these entities through control of Kun Peng.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Saved as disclosed in note 30(ii), none of the subsidiaries had issued any debt securities at the end of the reporting period.

Details of non-wholly owned subsidiary that have material non-controlling interests

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests At 31 December		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020**	2019	**2020**	2019
				HK$'000	HK$'000	**HK$'000**	HK$'000
Laecap	PRC	**50%**	50%	**15,759**	–	**99,484**	83,725

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The Laecap Group

	2020 HK$'000	2019 HK$'000
Non-current assets	**5,808**	3,134
Current assets	**162,314**	219,114
Current liabilities	**23,452**	54,798
Equity attributable to owners of the Company	**45,186**	83,725
Non-controlling interests of the Laecap Group	**99,484**	83,725
Revenue	**186,493**	263,446
Expenses	**156,333**	172,235
Profit for the year attributable to:		
– Owners of the Company	**18,070**	91,211
– Non-controlling interests	**12,090**	–
	30,160	91,211
Total comprehensive income for the year attributable to:		
– Owners of the Company	**25,815**	86,547
– Non-controlling interests	**15,759**	–
	41,574	86,547
Net cash inflow from operating activities	**79,254**	95,021
Net cash (outflow)/inflow from investing activities	**(424)**	26,635
Net cash outflow from financing activities	**(64,353)**	(2,160)
Net cash inflow	**14,477**	119,496

38. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

(a) Transactions and balances with affiliates of Shandong Hi-Speed Group

As at 31 December 2020, the Company is 43.42% (2019: 42.78%) owned by Shandong Hi-Speed Group. Save as disclosed to the consolidated financial statements, the Group entered into the following material transactions with the affiliates of Shandong Hi-Speed Group:

	2020	2019
	HK$'000	HK$'000
Balances with affiliates of Shandong Hi-Speed Group		
With a bank, which is a subsidiary of Shandong Hi-Speed Group		
– bank deposits	**17,077**	443,390
– Term loans (note 30(i))	**570,428**	553,306

	2020	2019
	HK$'000	HK$'000
Transactions with affiliates of Shandong Hi-Speed Group		
With a bank, which is a subsidiary of Shandong Hi-Speed Group		
– bank interest income	**(3,549)**	(3,429)
– interest expenses on bank borrowings	**33,914**	34,041
Interest expenses on other borrowings to		
– a subsidiary of Shandong Hi-Speed Group	**–**	42,083
Guarantee fee to		
– a subsidiary of Shandong Hi-Speed Group (Note (i))	**143,414**	–

Note:

(i) The guarantee fee is charged at 1% per annum based on the actual guaranteed amounts provided by Shandong Hi-Speed Group and payable quarterly in arrears.

38. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with other government-related entities in the PRC

During the years ended 31 December 2020 and 2019, certain bank deposits, cash and cash equivalents and bank borrowings as of 31 December 2020 and 31 December 2019 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government. In the opinion of the directors of the Company, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(c) Transactions and balances with a company controlled by a former director of the Company

As at 31 December 2020, the Group has an amount due from China Hover Dragon, in which Mr. Ji Kewei ("Mr. Ji"), the former director of the Company, has interest in it, of approximately HK$145,709,000 (2019: HK$136,932,000). Further details are set out in note 25(ii)(a) to the consolidated financial statements.

(d) Compensation of key management personnel of the Group:

	2020	2019
	HK$'000	HK$'000
Short-term employee benefits	**1,959**	11,124

Further details of directors' emoluments and the five highest paid employees are included in notes 12 and 13, respectively, to the consolidated financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

	2020	2019
	HK$'000	HK$'000
Financial assets		
Financial assets at FVTOCI	**4,884,539**	4,156,518
Financial assets at FVTPL	**5,914,185**	2,857,429
Amortised cost	**10,712,598**	14,790,602
	21,537,768	21,804,549
Financial liabilities		
Amortised cost	**15,196,929**	12,810,692

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Group uses market observable data to the extent it is available. When Level 1 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports to executive directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the financial assets.

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period for financial reporting purposes. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation model(s) and inputs used).

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2020				
Financial assets at FVTOCI	**140,321**	**3,192,961**	**1,551,257**	**4,884,539**
Financial assets at FVTPL	**2,339,312**	**1,922,773**	**1,652,100**	**5,914,185**
	2,479,633	**5,115,734**	**3,203,357**	**10,798,724**
At 31 December 2019				
Financial assets at FVTOCI	–	1,850,611	2,305,907	4,156,518
Financial assets at FVTPL	788,389	1,756,353	312,687	2,857,429
	788,389	3,606,964	2,618,594	7,013,947

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Items	Fair value as at 2020 HK$'000	2019 HK$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs
Financial assets at FVTOCI					
Unlisted equity investments					
– in elsewhere	**262,961**	–	Level 3	Market approach	Discount of lack of marketability: 20% (2019: N/A) (Note) Minority discount: 25% (2019: N/A) (Note)
– in elsewhere	**–**	2,067,882	Level 3	Discounted cash flow	Growth rate: N/A (2019: 9%) Gross margin rate: N/A (2019: 71.5%) Discount rate: N/A (2019: 9.6%) (Note) Terminal growth rate: N/A (2019: 3%) (Note)
Listed equity investments					
– in Hong Kong	**140,321**	–	Level 1	Quoted price in active market	N/A
Notes					
– in elsewhere	**237,476**	383,534	Level 2	Latest transaction price	N/A
Unlisted bond					
– in Hong Kong	**–**	238,025	Level 3	Discounted cashflow	Discount rate: N/A (2019: 8%) (Note)
– in elsewhere	**899,501**	–	Level 3	Partial differential equation	Discount rate: 6.6%-6.7% (2019: N/A) (Note)
– in elsewhere	**388,795**	–	Level 3	Discounted cash flow	Discount rate: 6.5%-6.6% (2019: N/A) (Note)
– in elsewhere	**229,268**	–	Level 2	Latest transaction price	N/A
Listed bonds					
– in Hong Kong	**263,115**	–	Level 2	Latest transaction price	N/A
– in elsewhere	**2,135,488**	1,443,312	Level 2	Latest transaction price	N/A
– in the PRC	**151,684**	23,765	Level 2	Latest transaction price	N/A
Investment fund					
– in elsewhere	**175,930**	–	Level 2	Latest transaction price	N/A

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Items	Fair value as at 2020 HK$'000	Fair value as at 2019 HK$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs
Financial assets at FVTPL					
Unlisted equity investments					
– in elsewhere	**–**	289,407	Level 3	Market approach	Discount for lack control: N/A (2019: 10%) (Note)
Held-for-trading					
Investment funds					
– in Hong Kong	**633,688**	543,697	Level 2	Latest transaction price	N/A
– in elsewhere	**–**	20,000	Level 3	Discounted cash flow	Discount rate: N/A (2019:1.8%) (Note)
– in elsewhere	**–**	508,684	Level 2	Latest transaction price	N/A
– in the PRC	**5,860**	3,280	Level 3	Discounted cash flow	Discount rate: 6.5% (2019: 9.4%-9.6%) (Note)
Club membership debenture	**5,500**	6,050	Level 2	Market comparison	N/A
Listed equity investments					
– in Hong Kong	**2,182,778**	710,408	Level 1	Quoted price in active markets	N/A
– in the PRC	**87,769**	–	Level 1	Quoted price in active markets	N/A
– in elsewhere	**68,765**	77,981	Level 1	Quoted price in active markets	N/A
Other investment funds					
– in the PRC	**–**	33,365	Level 2	Latest transaction price	N/A
– in elsewhere	**368,694**	664,557	Level 2	Market price quoted by a broker (2019: Latest transaction price)	N/A
– in elsewhere	**261,553**	–	Level 2	Latest transaction price	N/A
– in elsewhere	**584,380**	–	Level 3	Discounted cash flow	Discount rate: 6.5%-9.4% (2019: N/A) (Note)
– in elsewhere	**540,171**	–	Level 3	Market approach	Discount rate: 6.6% (2019: N/A) (Note)
Listed bonds					
– in Hong Kong	**653,338**	–	Level 2	Latest transaction price	N/A
Unlisted equity investments					
– in the PRC	**370,158**	–	Level 3	Market approach	Discount of lack of marketability: 20% (2019: N/A) (Note)
– in the PRC	**151,531**	–	Level 3	Discounted cash flow	Discount rate: 10.9% (2019: N/A) (Note)

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Note:

The following table details the Group's sensitivity to the increase and decrease in discount rate, terminal growth rate and discounts for lack of control, marketability and minority discount, with all other variables held constant, on the Group's profit or loss and other comprehensive income for the years ended 31 December 2020 and 2019:

Year ended 31 December 2020

	Increased/ (decreased)	(Increase)/ decrease in loss HK$'000	(Increase)/ decrease in other comprehensive loss HK'000
Discount rate increased by	10%	(8,427)	(4,559)
Discount rate decreased by	(10%)	8,605	4,609
Terminal growth rate increased by	10%	–	–
Terminal growth rate decreased by	(10%)	–	–
Discount for lack of control increased by	10%	–	–
Discount for lack of control decreased by	(10%)	–	–
Discount for lack of marketability increased by	10%	(9,254)	(6,574)
Discount for lack of marketability decreased by	(10%)	9,254	6,574
Minority discount increased by	10%	–	(8,765)
Minority discount decreased by	(10%)	–	8,765

Year ended 31 December 2019

	Increased/ (decreased)	(Increase)/ decrease in loss HK$'000	Increase/ (decrease) in other comprehensive income HK'000
Discount rate increased by	10%	(407)	(319,736)
Discount rate decreased by	(10%)	417	428,018
Terminal growth rate increased by	10%	–	101,520
Terminal growth rate decreased by	(10%)	–	(92,719)
Discount for lack of control increased by	10%	(3,215)	–
Discount for lack of control decreased by	(10%)	3,215	–

40. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(b) Reconciliation of level 3 fair value measurements

The movement during the year in the balances of Level 3 fair value measurement is as follows:

	Financial assets at FVTPL HK$'000	Financial assets at FVTOCI HK$'000	Total HK$'000
At 1 January 2019	601,316	1,719,189	2,320,505
Additions	24,992	241,745	266,737
Disposal	(294,638)	–	(294,638)
Fair value (loss)/gain			
– in profit or loss	(18,878)	–	(18,878)
– in other comprehensive income	–	344,973	344,973
Exchange realignment	(105)	–	(105)
At 31 December 2019 and 1 January 2020	312,687	2,305,907	2,618,594
Additions	1,591,193	1,379,784	2,970,977
Disposal	(1,117)	(341,129)	(342,246)
Transfer	(289,407)	289,407	–
Transfer to interests in associates	–	(2,049,848)	(2,049,848)
Fair value gain/(loss)			
– in profit or loss	32,319	–	32,319
– in other comprehensive income	–	(31,617)	(31,617)
Exchange realignment	6,425	(1,247)	5,178
At 31 December 2020	**1,652,100**	**1,551,257**	**3,203,357**

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise loans receivables, finance lease receivables, trade and other receivables, financial assets at FVTOCI, financial assets at FVTPL, restricted cash, cash held on behalf of clients, cash and cash equivalents, other payables and accruals, lease liabilities and borrowings. Details of these financial instruments are disclosed in respective notes. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, foreign currency risk and equity price risk as further detailed below. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities. As at 31 December 2020, certain of the Group's trade receivables, finance lease receivables, loans receivables, lease liabilities, and borrowings are at fixed rate. Although subject to interest rate risk, they are not remeasured in the consolidated financial statements in response to changes in interest rates and therefore change in interest rate risk variables would not affect reported profit or loss in the short term. Variable-rate borrowings were amounted to approximately HK$3,128,838,000 out of the total borrowings of approximately HK$14,829,314,000 (2019: HK$2,695,228,000 out of the total borrowings of approximately HK$12,564,641,000). The Group currently does not have interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

An increase of 50 basis points in interest rates at the reporting date would have increased or decreased loss for the year by the amounts shown below. This analysis assumes that all other variables remain constant.

	2020	2019
	HK$'000	HK$'000
Variable-rate borrowings	**15,644**	10,644

There was no material impact to the other components of equity for the years ended 31 December 2020 and 2019.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets including loans receivables, finance lease receivables, debt instruments at FVTOCI, debt instruments at FVTPL, trade and other receivables, restricted cash, cash held on behalf of clients and cash and cash equivalents as stated in the consolidated statement of financial position.

The Group's finance lease receivables and loans receivable arise from the ordinary course of business of the Group and are closely monitored by the executive directors in charge of the Group's finance lease operation and money lending operation on an ongoing basis. In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's advance portfolio. In addition, management reviews the recoverable amount of finance lease receivables and loans receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced. Further quantitative data in respect of the Group's exposure to credit risk arising from finance lease receivables and loans receivables are disclosed in notes 23 and 24 to the consolidated financial statements respectively.

The Group also monitors the credit rating and market news of the issuers of respective debts and unlisted financial products for any indication of potential credit deterioration.

The Group applies with simplified approach to provide for expected credit losses presented by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables, except for those from margin clients. To measure the expected credit losses, trade receivables, except for those from margin clients have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking. At the end of the reporting period, the trade receivables of the Group relate to a large number of diversified customers. There was no significant concentration of credit risk.

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

In relation to the Group's bank deposits, cash held on behalf of clients, restricted cash, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. The directors of the Company consider that the Group's credit risk on the deposits is low. Management continues to monitor the position and will take appropriate action if their ratings are changed.

The Group exposed to credit risk arising from guarantee business and adopts the pre-approval, review and credit approval risk management system for credit risk arising from guarantee business.

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

	Notes	External credit rating	Internal credit management and assessment	12m or lifetime ECL	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Financial assets at amortised cost						
Finance lease receivables	23	N/A	Note 5	12m ECL	757,034	1,129,924
				Lifetime ECL (not credit impaired)	477,226	1,853,568
				Credit impaired	1,571,706	325,867
					2,805,966	3,309,359
Loans receivables	24	N/A	Note 5	12m ECL	2,780,358	2,375,391
				Lifetime ECL (not credit impaired)	567,439	184,868
				Credit impaired	205,466	203,538
					3,553,263	2,763,797
Trade receivables other than from margin clients	25	N/A	Note 1	Lifetime ECL (not credit impaired)	64,057	82,553
Trade receivables arising from the business of margin financing	25	N/A	Note 2	12m ECL	403,302	–
Deposits and other receivables	25	N/A	Note 5	12m ECL	446,817	700,485
				Lifetime ECL (not credit impaired)	–	522,705
				Credit impaired	357,640	4,438
					804,457	1,227,628
					1,271,816	1,310,181
Restricted cash	26	A to A+, Note 5	N/A	12m ECL	7,437	3,809
		BB+ to BBB+, Note 5			50,207	44,968
		Unrated, Note 5			30,714	16,146
					88,358	64,923
Cash and cash equivalents	27	A- to AA+, Note 5	N/A	12m ECL	754,937	1,011,461
		BB+ to BBB+, Note 5			2,184,543	5,274,864
		Unrated, Note 5			2,106,268	1,927,750
					5,045,748	8,214,075
Cash held on behalf of clients	27	AA-, Note 5	N/A	12m ECL	1,779	8,214,075
Other items						
Financial guarantee contracts	44	N/A	Notes 3 and 5	12m ECL	472,328	868,135
Debt instruments at FVTOCI	21	Notes 4 and 5	N/A	12m ECL	4,305,327	2,088,636

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Notes:

1. The Group determines the lifetime ECL on these items based on the Group's historical default rates or by reference to the probability of default of all rated grade ratings and loss given default published by international credit rating agencies over the expected life and is adjusted for forward-looking estimates.

2. The Group considers that there is significant increase in credit risk since initial recognition and default indicator when the LTV ratio of a particular client has increased up to certain level for a certain period of time. The probability of default and loss given default over the expected life of the trade receivables are estimated on a portfolio basis based on the Group's historical default and loss data and adjusted for forward-looking factors that are available without undue cost or effort.

   For credit-impaired trade receivables from margin clients, the management performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement.

3. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

4. The Group's investments in debt instruments at FVTOCI mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history).

5. The ECL is assessed by reference to the probability of default and loss given default for the relevant credit rating grades published by international credit rating agencies, and adjusted for forward-looking factors that are available without undue cost or effort. For exposure from non-rated counterparties, the Group has assessed the ECL by reference to the probability of default of all rated grade ratings and loss given default published by international credit rating agencies.

Liquidity risk

The Group's liquidity risk is managed by management on an ongoing basis by the raising of loans and/or equity funding to meet expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and bank balances to meet its liquidity requirements in the short and long terms.

As part of its ordinary brokerage activities, the Group is also exposed to liquidity risk arising from timing difference between settlements with clearing houses or brokers and customers. The goal of liquidity risk management is to ensure the Group maintains adequate liquid capital to fund its business commitments as well as to comply with the relevant FRR applying to the licensed subsidiary.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

	At 31 December 2020					
	On demand/ less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	5 to 10 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Financial liabilities included in other payables and accruals	278,710	23,313	21,910	–	323,933	323,933
Borrowings:						
– bonds	217,578	6,867,004	4,162,700	908,592	12,155,874	11,348,620
– interest-bearing bank borrowings	430,644	357,208	2,594,747	–	3,382,599	2,931,344
– other borrowings	433,063	–	122,337	–	555,400	549,350
Lease liabilities	4,101	10,810	27,029	6,565	48,505	43,772
	1,364,096	7,258,335	6,928,723	915,157	16,466,311	15,196,929

	At 31 December 2019					
	On demand/ less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	5 to 10 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Financial liabilities included in other payables and accruals	184,473	14,422	19,480	–	218,375	218,375
Borrowings:						
– bonds	4,863,848	162,961	4,351,245	869,578	10,247,632	9,584,184
– interest-bearing bank borrowings	79,686	497,034	2,467,496	–	3,044,216	2,825,575
– other borrowings	2,145	252,557	–	–	254,702	154,882
Lease liabilities	1,746	5,278	17,382	11,140	35,546	27,676
	5,131,898	932,252	6,855,603	880,718	13,800,471	12,810,692

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Certain cash and cash equivalents, borrowings and financial assets included in trade and other receivables are denominated in HK$, US$ and RMB, currencies other than functional currencies of respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

With transaction in the US$, the impact of it is insignificant as the HK$ is pegged to US$. Therefore, no sensitivity analysis was presented.

No sensitivity analysis for the currency risk of RMB is prepared as the directors of the Company considered the net impact of such foreign currency risk is insignificant.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments (notes 21 and 22) as at 31 December 2020 and 2019. The Group's major listed investments are listed in the stock exchange in Hong Kong, the PRC and United State of America and are valued at quoted market prices at the end of the reporting period. The management managed this exposure by maintaining a portfolio of investments with different risks. The management considers that there is no significant equity price risk for investments in unlisted equity securities and those investments were excluded for sensitivity analysis.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity to every 15% (2019: 15%) change in equity prices of the listed equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Increase/ (decrease) in equity prices %	Carrying amount of equity investments HK$'000	Increase/ (decrease) in equity* HK$'000	Decrease/ (increase) in loss for the year HK$'000
Year ended 31 December 2020				
Investments listed in:				
– Hong Kong	**15**	**2,323,099**	**21,048**	**327,417**
– PRC	**15**	**87,769**	**–**	**13,165**
– elsewhere	**15**	**68,765**	**–**	**10,315**
Year ended 31 December 2019				
Investments listed in:				
– Hong Kong	15	710,408	–	106,561
– elsewhere	15	77,981	–	11,697

* Excluding accumulated losses

The sensitivity analysis above had been determined based on the exposure to equity price risks as at 31 December 2020 and 2019. For sensitivity analysis purpose, 15% (2019: 15%) was used as the sensitivity rate for the year ended 31 December 2020 as a result of the volatile financial markets. In management's opinion, the sensitivity analysis was unrepresentative of the inherent equity price risk as it only reflects the impact of equity price changes to equity securities held as at the end of the reporting period.

42. EVENTS AFTER THE END OF THE REPORTING PERIOD

There is no significant event took place subsequent to the end of the reporting period.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified as cash flows from financing activities in the Group's consolidated statement of cash flows.

	Borrowings HK$'000	Liability component of convertible bonds HK$'000	Lease liabilities HK$'000	Interest payables HK$'000	Total HK$'000
At 1 January 2019	7,774,919	311,037	–	3,156	8,089,112
Financing cash flows	4,677,768	(289,069)	(3,576)	(420,479)	3,964,644
Total interest expenses	–	21,643	75	522,679	544,397
New leases entered	–	–	31,862	–	31,862
Exchange realignment	111,954	(43,611)	(685)	(96,313)	(28,655)
At 31 December 2019 and 1 January 2020	12,564,641	–	27,676	9,043	12,601,360
Financing cash flows	1,911,970	–	(12,901)	(62,684)	1,836,385
Total interest expenses	339,566	–	2,166	61,451	403,183
New leases entered	–	–	25,171	–	25,171
Exchange realignment	13,137	–	1,660	–	14,797
At 31 December 2020	**14,829,314**	**–**	**43,772**	**7,810**	**14,880,896**

44. CONTINGENT LIABILITIES

As disclosed in note 25(i) to the consolidated financial statements, during the years ended 31 December 2020 and 2019, Shangao Puhui entered into cooperation agreements with various independent entities for the purpose of Shangao Puhui providing financial guarantees on behalf of borrowers that obtained financing from lenders via these entities through Shangao Puhui's money lending referral service business. Shangao Puhui is exposed to the guaranteed loan principal of the borrowers and the respective interests.

As at 31 December 2020, the guaranteed loan principal was amounted to approximately HK$472,328,000 (2019: HK$868,135,000). Shangao Puhui provided guarantee deposits of approximately HK$22,546,000 (2019: HK$58,154,000) to these entities (note 25(i)). The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. In the opinion of the directors of the Company, the fair value of the provision for guaranteed liabilities to the Group is insignificant as at the dates of grants of the financial guarantees and the expected credit losses on these financial guarantees were insignificant as at 31 December 2020 and 2019.

45. PROFIT GUARANTEE

(a) Hong Kong Leasing

Pursuant to a share purchase agreement entered into by Shinning Seas Limited ("Shinning Seas"), a wholly owned subsidiary of the Company, the Company, China Hover Dragon, Mr. Gao Chuanyi ("Mr. Gao"), Ms. Wang Zi Yi ("Ms. Wang") and Mr. Ji dated 8 April 2015 and as varied by a supplemental agreement dated 29 July 2015 (together, the "Hong Kong Leasing Sale and Purchase Agreement"), Shinning Seas has agreed to buy and China Hover Dragon and Mr. Gao (collectively as the "Vendors") have agreed to sell the entire issued share capital of Hong Kong Leasing at a consideration of approximately HK$1,581,945,000. The acquisition was completed on 1 September 2015 (the "Acquisition Date"). The consideration was settled by way of allotment and issue of 2,361,112,121 shares (the "Base Consideration Shares") of the Company (equivalent to an aggregate amount of approximately HK$1,581,945,000 based on the closing price on 1 September 2015 of HK$0.67 per share as quoted on the Stock Exchange). There was an arrangement of profits guarantee from the Vendors that if the audited net profits after tax of the relevant year of Hong Kong Leasing is less than the guaranteed amounts (as disclosed below), the base consideration for the acquisition shall be reduced by way of repurchase by the Company of part of the consideration shares.

Relevant year	Guaranteed Amount
1 September 2015 to 30 August 2016 ("1st Year")	HK$100,000,000
1 September 2016 to 30 August 2017 ("2nd Year")	HK$200,000,000

Further details are set out in the Company's announcements dated 10 April and 2 September 2015 and the circular dated 30 July 2015.

The profit guarantee was met and there was no adjustment for the 1st Year. For the 2nd Year, the audited net profits after tax as shown in audited consolidated accounts for the period from 1 September 2016 to 30 August 2017 of the Hong Kong Leasing was less than HK$200,000,000, the Vendors were obligated to sell 1,213,939,394 consideration shares ("Profit Guarantee Shares"), as calculated using the formula as stipulated in the Hong Kong Leasing Share and Purchase Agreement, to the Company at nil consideration.

45. PROFIT GUARANTEE (continued)

(a) Hong Kong Leasing (continued)

A stop notice had been served by the Company on 16 March 2018 pursuant to the Rules of High Court to stop the transfer of 1,951,714,383 ordinary shares of the Company (including the Profit Guarantee Shares and the Bad Debt Repurchase Shares (note 25(ii)) held by the shareholders of China Hover Dragon ("Subject Shares"), and payment of dividend. Shinning Seas (as 1st Plaintiff) and the Company (as 2nd Plaintiff) has commenced an action in the High Court of Hong Kong on 31 July 2018 against China Hover Dragon (as 1st Defendant), Mr. Gao (as 2nd Defendant), Chinanet Consultancy Limited ("Chinanet", a shareholder of China Hover Dragon) (as 3rd Defendant), Ms. Wang (as 4th Defendant)) and Mr. Ji (as 5th Defendant) for, among others, the release of and deliver up of possession of the shares certificates for the Subject Shares. After the service of the said writ on China Hover Dragon, Chinanet, Ms. Wang and Mr. Ji, a defence and counterclaim was filed by China Hover Dragon, Chinanet, Ms. Wang and Mr. Ji against Shinning Seas and the Company in December 2018. In April 2019, China Hover Dragon, Chinanet, Ms. Wang and Mr. Ji served a counterclaim against Mr. Yau Wai Lung, a former executive director of the Company, as 3rd defendant by counterclaim. After service of a concurrent writ of summons out of jurisdiction on Mr. Gao, Mr. Gao had filed a defence and counterclaim in November 2019. Upon application, the High Court of Hong Kong granted leave on 13 March 2020 for the 5 defendants to file and serve a consolidated defence and counterclaim, and for the plaintiffs and the 3rd defendant by counterclaim to file and serve their reply and defence to the defendants' consolidated defence and counterclaim.

The repurchase of the Profit Guarantee Shares and the Bad Debt Repurchase Shares are under legal proceedings as at 31 December 2020 and the date of approval of the consolidated financial statements of the Group for the year ended 31 December 2020.

Based on the understanding of the directors of the Company on the Defence and Counterclaim and a legal opinion from an independent lawyer thereon, the directors of the Company considered that the repurchase of the Subject Shares is uncertain as at 31 December 2020 and the date of approval of the consolidated financial statements of the Group for the year ended 31 December 2020, and thus the fair value of such contingent consideration, being the right to buy back the Subject Shares at nil consideration, is insignificant at 31 December 2020 and 2019.

45. PROFIT GUARANTEE (continued)

(b) Kun Peng

On 26 March 2018, the Group completed the acquisition of 60% of the issued share capital in Kun Peng and in accordance with the terms of the relevant share purchase agreement dated 29 December 2017 (the "Share Purchase Agreement"), Honesta Investment Limited ("Honesta Investment") and Mr. Hua Meng ("Mr. Hua") jointly and severally agreed that the minimum distributable operating net profit (the "Minimum Net Profit") of Cashlai and Honesta Asset Management (the "Relevant Companies") for the years ended 31 December 2018, 2019 and 2020. In the event that Kun Peng fails to achieve the aggregate amount of the Minimum Net Profit during the three financial years ended 31 December 2020, the Group will buy back a portion of the consideration shares at nil consideration (the "Consideration Shares") upon the financial statements of Kun Peng for the financial year ended 31 December 2020 are available. The number of consideration shares to be bought back shall be calculated in accordance with the formula as stipulated in the Share Purchase Agreement.

Pursuant to the Share Purchase Agreement, Honesta Investment and Mr. Hua jointly and severally agree that the Minimum Net Profit of the Relevant Companies for the following years shall not be less than the amount set out in the table below:

Relevant Year	**Minimum Net Profit**
1 January 2018 to 31 December 2018	RMB32,270,000
1 January 2019 to 31 December 2019	RMB58,170,000
1 January 2020 to 31 December 2020	RMB95,700,000
Total	RMB186,140,000

Further details are set out in the Company's announcements dated 29 December 2017 and 26 March 2018.

45. PROFIT GUARANTEE (continued)

(b) Kun Peng (continued)

In respect of the non-fulfilment of the Minimum Net Profit of the Relevant Companies for the years ended 31 December 2018, 2019 and 2020, Honesta Investment, Mr. Hua, and the Group entered into a supplemental deed to the Share Purchase Agreement (the "Supplemental Deed") on 3 August 2020, pursuant to which:

(a) the parties agreed and acknowledged that no Consideration Share had been released from the lock-up arrangement as set out in the Share Purchase Agreement and the actual total net profit for the three years ended 31 December 2020 should be zero for the purpose of calculating the Consideration Shares to be bought back;

(b) the parties agreed that the Company would buy back, and Honesta Investment would transfer, 363,065,565 Consideration Shares (i.e. all the Consideration Shares which were still subject to the lock-up arrangement) at nil consideration pursuant to the Share Purchase Agreement (the "Share Buy-back"); and

(c) the parties agreed to accelerate the Share Buy-back to any earlier date after the execution of the Supplemental Deed, instead of the issue date of the financial statements of the Relevant Companies for the financial year ended 31 December 2020.

The Share Buy-back was conducted on 3 August 2020 and the Consideration Shares bought back under the Share Buy-back were cancelled by the Company accordingly during the year ended 31 December 2020.

46. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) The statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1**	1
Amounts due from subsidiaries	**22,509,909**	15,637,762
Financial assets at FVTPL	**55,922**	333,926
Advances to associates	**–**	31,732
Total non-current assets	**22,565,832**	16,003,421
CURRENT ASSETS		
Prepayments and other receivables	**20,023**	50,281
Cash and cash equivalents	**2,761,232**	7,763,221
Total current assets	**2,781,255**	7,813,502
CURRENT LIABILITIES		
Other payables and accruals	**6,175**	13,034
Borrowings	**10,273**	10,182
Amounts due to subsidiaries	**18,971,238**	17,929,485
Total current liabilities	**18,987,686**	17,952,701
NET CURRENT LIABILITIES	**(16,206,431)**	(10,139,199)
Total assets less current liabilities	**6,359,401**	5,864,222

46. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) The statement of financial position of the Company (continued)

	2020	2019
	HK$'000	HK$'000
NON-CURRENT LIABILITY		
Borrowings	**2,044,254**	2,006,417
Total non-current liability	**2,044,254**	2,006,417
Net assets	**4,315,147**	3,857,805
CAPITAL AND RESERVES		
Issued capital	**6,022**	6,113
Reserves	**4,309,125**	3,851,692
Total equity	**4,315,147**	3,857,805

Approved and authorised for issued by the board of directors on 23 March 2021 and are signed on its behalf by:

Wang Xiaodong
Director

Liu Honghui
Director

46. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Issued capital HK$'000	Share premium account HK$'000 (Note i)	Share options reserve HK$'000 (Note ii)	Capital redemption reserve HK$'000 (Note iii)	Contributed surplus HK$'000 (Note iv)	Convertible bonds reserve HK$'000 (Note v)	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2019	6,113	4,784,098	40,150	1,177	1,524,577	19,084	(1,121,295)	5,253,904
Loss and total comprehensive loss for the year	–	–	–	–	–	–	(1,396,099)	(1,396,099)
Redemption of convertible bonds	–	–	–	–	–	(19,084)	19,084	–
At 31 December 2019 and 1 January 2020	6,113	4,784,098	40,150	1,177	1,524,577	–	(2,498,310)	3,857,805
Profit and total comprehensive income for the year	–	–	–	–	–	–	646,136	646,136
Repurchase and cancellation of ordinary shares	(91)	(188,794)	–	91	–	–	–	(188,794)
At 31 December 2020	**6,022**	**4,595,304**	**40,150**	**1,268**	**1,524,577**	**–**	**(1,852,174)**	**4,315,147**

46. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company (continued)

Notes:

(i) Share premium account

Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

(ii) Share options reserve

Share options reserve relates to share options granted to employees under New Share Option Scheme. Further information about share-based payments to employees is set out in note 35 above.

(iii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(iv) Contributed surplus

Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities.

(v) Convertible bonds reserve

Convertible bonds reserve relates to convertible bonds issued/redeemed during the year.

47. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 March 2021.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2020

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. Accordingly, certain prior year comparative amounts have been reclassified and restated to confirm to the current year's presentation.

RESULTS

	Year ended 31 December		Nine months ended 31 December	Year ended 31 March	
	2020	2019	2018	2018	2017
	HK$	HK$	HK$	HK$	HK$
REVENUE	**1,272,354**	894,149	427,196	458,440	193,511
(LOSS)/PROFIT BEFORE TAX	**(3,265)**	(1,927,203)	(748,324)	726,252	190,798
Income tax (expense)/credit	**(15,042)**	(34,612)	57,148	(55,527)	(31,442)
(LOSS)/PROFIT FOR THE YEAR/PERIOD	**(18,307)**	(1,961,815)	(691,176)	670,725	159,356
(Loss)/profit for the year/period attributable to:					
Owners of the Company	**(284,700)**	(2,095,524)	(705,280)	671,330	159,356
Holders of perpetual capital instrument	**259,048**	123,021	–	–	–
Non-controlling interests	**7,345**	10,688	14,104	(605)	–
	(18,307)	(1,961,815)	(691,176)	670,725	159,356

ASSETS AND LIABILITIES

	As at 31 December			As at 31 March	
	2020	2019	2018	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**24,966,194**	23,198,805	13,377,465	14,414,673	4,735,830
TOTAL LIABILITIES	**(15,309,446)**	(12,947,348)	(8,499,219)	(8,569,849)	(1,549,161)
NET ASSETS	**9,656,748**	10,251,457	4,878,246	5,844,824	3,186,669