



China Gem Holdings Limited

中國中石控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1191)

2020
Annual Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhong Ling, *Chairman*
Mr. Yan Ping

NON-EXECUTIVE DIRECTOR

Mr. Kan Chi Ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Warren Lee Primhak
Mr. Li Haibo

BOARD COMMITTEES

Audit Committee

Mr. Kan Chi Ming
Mr. Warren Lee Primhak
Mr. Li Haibo

Remuneration Committee

Mr. Li Haibo (*Chairman*)
Mr. Yan Ping
Mr. Warren Lee Primhak

Nomination Committee

Mr. Zhong Ling (*Chairman*)
Mr. Warren Lee Primhak
Mr. Li Haibo

COMPANY SECRETARY

Ms. Ho Wing Yan (*ACG, ACS(PE)*)

AUTHORISED REPRESENTATIVES

Mr. Yan Ping
Ms. Ho Wing Yan (*ACG, ACS(PE)*)

AUDITOR

Prism CPA Limited
Room 1003, 10/F.
Perfect Commercial Building
20 Austin Avenue
Tsim Sha Tsui
Kowloon

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Chiyu Banking Corporation Ltd.

LEGAL ADVISER

On Bermuda Law
Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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4th floor North
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41 Cedar Avenue
Hamilton HK 12

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
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183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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2 Church Street
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Wanchai, Hong Kong

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STOCK CODE

1191

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the board of Directors (the “Board”), I am pleased to present the annual report of China Gem Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 (the “Year”).

REVIEW OF RESULTS

Risks and challenges intertwined in the international environment in 2020. The Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF) and other agencies repeatedly slashed their expectations towards the global economic growth. Confronted with the complex environment, China’s economy maintained a steady yet progressive momentum generally, while the problem of financing difficulty and high financing costs faced by private, small and micro businesses has not been effectively addressed, imposing a huge impact on the ability of the Group to recover funds. However, as the Chinese Government has introduced various measures to help alleviate the financing pressure of private, small and micro businesses, it is expected that such situation will be effectively improved in 2021, which will be beneficial for the Group to recover the external financial investments and in turn to improve the operation of the Group.

For the year ended 31 December 2020, the Group’s total revenue from its principal business was approximately HK\$19,985,000, representing a decrease of 81% compared with last year, of which the revenue in 2020 was related to property development. During the Year, the Group recorded net loss attributable to owners of the Company amounted to approximately HK\$632,240,000 (2019: approximately HK\$402,514,000). The net loss is mainly due to (i) significant fair value losses on financial assets through profit or loss amounting to approximately HK\$409,314,000 during the year ended 31 December 2020 (2019: approximately HK\$137,195,000) and (ii) the expected credit loss on financial assets amounting to approximately HK\$117,022,000 (2019: approximately HK\$279,619,000).

PROSPECTS

The Group will continuously adhere to the business philosophy of “Professionalism, Dedication, Devotion” and “Customer First, Efficiency Priority, Synergic Development, Pursuit of Excellence”. While continuously focusing on the existing business, the Company will increase more investments in industries so as to bring sustainable returns for shareholders of the Company (the “Shareholders”). For investments in industries, we will mainly focus on market opportunities in Internet plus education, construction materials and mining investment including gold mine, cooper mine and lead-zinc mine, etc. For financial investments, we will gradually downsize the scale of the lending and fund investment businesses, while leveraging our special advantages in disposing of non-performing assets and gradually developing special opportunity real estate and special opportunity debt businesses, so as to form a new model for our asset management business in the future.

We expect to make meaningful progress in 2021 toward to a stable growth targets. We are committed to do everything we can to deliver consistent, reliable, balanced and sustainable growth and value creation for you and our Shareholders.

LETTER TO SHAREHOLDERS

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our Shareholders for the trust and support. I would also like to express my gratitude to our management team and all staff for their dedication and contributions in the execution of the Group's strategies and operations during the Year. In the future, we will continue to explore new opportunities and focus on business development, in order to bring best return for Shareholders.

Mr. Zhong Ling
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded revenue from operations of approximately HK\$19,985,000 (2019: approximately HK\$103,938,000), representing a year-on-year decrease of 81%.

Other income, net

Other income of approximately HK\$65,000 (2019: HK\$1,274,000).

Administrative expenses

Administrative expenses decreased by approximately 31% to approximately HK\$28,987,000 (2019: approximately HK\$41,954,000). The decrease was mainly due to a decrease in staff costs and general expenses.

Finance costs

Finance costs increased from approximately HK\$57,743,000 for the year ended 31 December 2019 to HK\$92,431,000 for the year ended 31 December 2020. The increase was mainly due to increase in interest expenses from senior notes.

Income tax credits (expenses)

For the year ended 31 December 2020, income tax credits of the Group amounted to approximately HK\$152,000 (2019: income tax expenses of approximately HK\$11,352,000). All income tax were deferred tax which arose from the Land Appreciation Tax of the PRC subsidiaries.

Net loss for the year

For the year ended 31 December 2020, the Group recorded net loss attributable to owners of the Company amounted to approximately HK\$632,240,000 (2019: approximately HK\$402,514,000). The net loss is mainly due to (i) significant fair value losses on financial assets through profit or loss amounting to approximately HK\$409,314,000 during the year ended 31 December 2020 (2019: approximately HK\$137,195,000) and (ii) the expected credit loss on financial assets amounting to approximately HK\$117,022,000 (2019: approximately HK\$279,619,000).

Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

II. BUSINESS REVIEW

Business review on each segment are as follows:

i) Money lending

The Group has provided a wide range of loans. Customers are mainly from corporations who have been carefully evaluated by the Group on their repayment capabilities and securities pledged. As set out in this report in view of the uncertainty of the recoverability of the amount, the Directors recognised impairment on the loan receivables amounting to HK\$79,643,000 during the year ended 31 December 2020.

ii) License and Financial Service Business

During the year ended 31 December 2020, the Group provided administrative services to other investment managers of funds domiciled in Cayman Island. The license and financial business has generated revenue of approximately HK\$Nil (2019: approximately HK\$1,323,000), mainly from provision of administrative services to China Gem L.P., in which a fellow subsidiary of the Group was the general partner of the fund during the year ended 31 December 2020. The nil revenue from the license and financial business in current year was mainly due to the service agreement ended in June 2019 and no further agreement signed.

iii) Strategic financial investment

In order to increase the efficiency of the use of the Company's funds and match the resources with the business, the Group seizes opportunity in fund investment to build a diversified and complementary portfolio of businesses, investment and various types of assets through the subscription of private equity funds by leveraging the professional advantages, talent advantages and management advantages of the fund companies to spread risks, increase return on investment and achieve long-term capital growth for shareholders.

In respect of fund investment policies, the Group selects teams with asset management experience and sound performance as fund managers, focusing on debt investment, so as to obtain fixed income. The Group mainly targets real estate, energy and high-tech industries, with a view to achieve the expected return on investment. Considering the balance between return and risks of holding funds, the Group's investment in individual fund is limited to no more than HK\$150 million, while the total size of fund investment is determined according to the financial condition and investment plan of the Company. The funds invested have an investment period of two years or more.

As set out in this report, the Directors have taken a number of measures to recover the Debt securities. However, up to the date of this report, the Company is still unable to recover the amount. As a result, the Director recognised the fair value loss of HK\$409,314,000 on the investments.

MANAGEMENT DISCUSSION AND ANALYSIS

iv) Property development

Revenue in this segment was derived from leasing of properties, building management fee income and sales of residential units in Shunde, the PRC. During the year ended 31 December 2020, the Group recorded the rental, management and related fee income and sales of properties of approximately HK\$19,985,000 (2019: approximately HK\$8,864,000). The segment profit for the year ended 31 December 2020 was approximately HK\$18,359,000 (2019: approximately HK\$25,415,000). The reason of a decrease in profit was mainly due to fair value losses on investment properties amounted to approximately HK\$731,000 for the year ended 31 December 2020 (2019: fair value gains of approximately HK\$23,890,000), partially off-set by increase in profit from sales of property in the PRC in current year.

III. FUTURE PLANS

Looking forward, the Group will continue to focus on financial investment and industrial investment. In terms of financial investment, the Group will continue to conduct money lending, license and financial service business and fund investment business, while gradually carrying out special opportunity real estate and special opportunity debt business. In terms of industrial investment, in addition to the existing property development business, the Group will pursue market opportunities in Internet plus education, construction materials and mining investment including gold mine, cooper mine and lead-zinc mine. Under the complicated macro-economic environment, the Group will adhere to the business philosophy of “Professionalism, Dedication, Devotion” and “Customer First, Efficiency Priority, Synergic Development, Pursuit of Excellence”, and will strive for our overall business development by fully exploring the synergy and interconnection between our existing business segments. The Board and the management of the Company believe that, with a clear position, a team of professionals and effective execution capabilities, the Company will continue to enhance its core competitiveness and overall profitability to create greater value for the shareholders.

i) Money lending

Under the current economic environment, in order to protect shareholders’ interests and avoid risks, the Group will exercise prudent approach in assessing money lending projects and conduct proper control over the scale of money lending business. However, due to the uncertainty on the recoverability of the loans and interest income receivables, the Director decided to cease the business.

ii) License and Financial Service Business

For license business, the Group will continue to study the establishment of Special Opportunity Investment Fund and actively carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

In addition, for non-license financial service business, the Group will give full play to its talent advantages and intellectual output and provide tailor-made professional and comprehensive financial service solutions for customers. The Group will seek investment and growth opportunities in order to generate additional revenue through the linkage between domestic and overseas business, and the asset-light strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

iii) Strategic financial investment

The Group will continue to seize opportunity in fund investments in order to utilize the Group's financial resources more efficiently and effectively. To yield better investment returns, the Group will strengthen its original investment fund management, deepen its understanding of fund operations, and fully tap into the experience and expertise of the management team and general partners in its investment funds. Due to the substantial loss suffered from the business, the Directors decided to cease the business.

iv) Property development

In view of restrictions imposed on property projects in Mainland China, the Group will prepare appropriate entry and exit strategies in the interest of the Company and its shareholders as a whole. As for projects that underperform our expectations, we will elect to exit when timing is right. Furthermore, we will continue to explore other property development opportunities to expand our investment property portfolio and consolidate our revenue base, safeguarding the potential of capital appreciation for the Group.

v) Special opportunity real estate and special opportunity debt business

In 2020, the Company made some attempts in this field without substantial progress. The Group could make flexible use of various disposal methods of non-performing assets, including debt restructuring, securitisation, conversion of debt to equity to rebuild the business model of enterprises, or carry out business transformation of the subject enterprise, explore new markets, customers and business in an value-added way, and reshape the intrinsic value of enterprises, which will revitalise non-performing assets while achieving good investment returns for investors. The Company will utilise its expertise on the non-performing assets, gradually develop special opportunity real estate and special opportunity debt business and form a new asset management business mode in the future.

vi) Industrial Investment

The Company will strengthen its management on the existing investment funds and money lending business so as to develop appropriate recovery plans and proposals and strive to recover investment funds and eliminate existing risks. Meanwhile, the management has been seeking for quality investment projects and has obtained certain potential projects and corresponding investment targets in the fields of Internet plus education, construction materials, and mining investment including gold mine, copper mine and lead-zinc mine. The proportion of industrial investments will be increased through asset swaps, direct investments, and equity swaps.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2020, the Group had total cash and cash equivalents amounted to approximately HK\$5,000 (2019: approximately HK\$1,439,000), while net current liabilities amounted to approximately HK\$743,127,000 (2019: HK\$104,737,000). The current ratio as a ratio of current assets to current liabilities was approximately 0.2 times (2019: approximately 0.87 times). The decrease in the current ratio is mainly due to significant impairment losses on loan and interest receivables and financial assets at fair value through profit or loss.

As at 31 December 2020, total debts (including loans from a former shareholder, other borrowings and senior notes) of the Group amounted to approximately HK\$649,498,000 (2019: approximately HK\$647,977,000). Of this amount, 100% is repayable within one year (2019: 100%). All debts are charged at fixed interest rates, denominated in the Hong Kong dollars, US dollars and Renminbi. The gearing ratio, representing the ratio of total debts to the total equity of the Group was approximately -121.4% (2019: approximately 672.7%).

PLEDGE OF ASSETS

As at 31 December 2020, none of the Group's asset was pledged or charged (2019: Nil).

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Significant investments are mainly fund investments as set out in "Business review — Strategic financial investment".

In the future, the Group will continue to identify new opportunities for business development. The Group has not executed any agreement in respect of material acquisitions, investments or capital asset and does not have any other specific future plans relating to material acquisitions, investments or capital asset as at the date of this report. Nonetheless, if any potential investment opportunity arises in the future, the Group will perform feasibility studies and prepare implementation plans to assess whether it is beneficial to the Group and the shareholders of the Company (the "Shareholders") as a whole.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries and joint ventures during the year ended 31 December 2020.

FOREIGN CURRENCY EXPOSURE

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong dollars, US dollars and Renminbi. For the year ended 31 December 2020, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 31 December 2020 (2019: Nil).

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2020 (2019: Nil).

EMPLOYEES

As at 31 December 2020, the Group had 26 employees in Hong Kong and China (2019: 28) and the total staff costs amounted to approximately HK\$21,119,000 for the year ended 31 December 2020 (2019: approximately HK\$28,076,000). Remuneration package of the employees includes monthly salary and medical claims. The remuneration policies are formulated on the basis of their performance, duties and responsibilities with the Company and the market condition. As to our investment on human resources, education subsidies would be granted to the Group's employees, with a view to reinforcing the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhong Ling (“Mr. Zhong”), aged 37, joined the Company as an executive Director and the chairman of the Board on 24 February 2021. Mr. Zhong is also the chairman of the nomination committee of the Company (the “Nomination Committee”). Mr. Zhong obtained a Bachelor’s degree in Accounting from Macquarie University in Australia and a Master’s degree in Professional Accounting from Western Sydney University in Australia. Mr. Zhong has extensive experience in accounting and finance. Mr. Zhong used to work as an assistant to the director of the audit department at PricewaterhouseCoopers (Sydney), where he provided assistance to the Director of the audit department in handling daily auditing affairs and participated in the audit work of several large Australian listed companies. Mr. Zhong joined China Gem Financial Group Limited as a director since 2016.

Mr. Yan Ping (“Mr. Yan”), aged 55, joined the Company as an executive Director on 19 January 2021. Mr. Yan was appointed as a member of each of the remuneration committee of the Company (the “Remuneration Committee”) and the Nomination Committee on 19 January 2021 and later resigned as a member of the Nomination Committee on 1 April 2021. Mr. Yan graduated from Suzhou University with a bachelor’s degree in 1990. Mr. Yan has extensive experience in business management. Mr. Yan worked for Yangzhou Power Equipment Repair Factory* (揚州電力設備修造廠) from 1991 to 1996 as a deputy manager. Mr. Yan worked for Taizhou Refrigerator Factory* (泰州市製冷機廠) from 1996 to 2002 as a deputy general manager. Mr. Yan worked for Zhangjiagang Xinggang Construction and Installation Engineering Co., Ltd.* (張家港興港建築安裝工程有限公司) from 2002 to 2010 as the general manager. Mr. Yan has been the general manager of Jiangsu Zhengtai Construction Group* (江蘇正太建設集團) since 2010.

Non-Executive Director

Mr. Kan Chi Ming (“Mr. Kan”), aged 59, joined the Company as a non-executive Director on 27 January 2021. Mr. Kan was appointed as a member of each of the audit committee of the Company (the “Audit Committee”), the Remuneration Committee and the Nomination Committee on 27 January 2021 and later resigned as a member each of the Nomination Committee and the Remuneration Committee on 1 April 2021. Mr. Kan has been the vice-president of Genting Hong Kong Limited since 2009. Mr. Kan had previously served in the Hong Kong Police Force since 1979.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Warren Lee Primhak (“Mr. Primhak”), aged 57, joined the Company as an independent non-executive Director on 19 January 2021. Mr. Primhak was appointed as a member of each of the Audit Committee and the Remuneration Committee on 19 January 2021 and was appointed as a member of the Nomination Committee on 1 April 2021. Mr. Primhak is the former managing director of Deutsche Bank heading global trading for Asia. Mr. Primhak has over 20 years of experience in Finance and Security industries. Mr. Primhak is also a member of the board of Mainfirst Asia.

Mr. Li Haibo (“Mr. Li”), aged 40, joined the Company as an independent non-executive director on 1 April 2021. Mr. Li is also the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Li obtained a Bachelor’s degree and a Master’s degree from Blagoveshchensk State Pedagogical University in Russia, majoring in Russian as a Foreign Language. Since 2005, Mr. Li has been the General Manager of Heihe City Huiyilong Economic Trading Co., Ltd.* (黑河市惠益隆經貿有限責任公司) in Heilongjiang Province, and has engaged in Sino-Russian Foreign trade for nearly 20 years. He has engaged in real estate industry and mining industry in Russia for many years.

SENIOR MANAGEMENT

Mr. Yang Huaijun (“Mr. Yang”), aged 48, graduated from the Business Administration School of the Renmin University of China with a Master Degree in Management in 2000. Mr. Yang has been engaged in asset management services and is familiar with the Chinese market. He has extensive experience in corporate management and asset management. From April 2000 to March 2016, Mr. Yang served as the project manager and the departmental general manager at the Beijing Branch of China Huarong Asset Management Co., Ltd. respectively. From March 2016 to February 2017, Mr. Yang served as the managing director of Huarong Jiantou Asset Management Co., Ltd (華融建投資產管理有限公司).

COMPANY SECRETARY

Ms. Ho Wing Yan (“Ms. Ho”) was appointed as the company secretary and the authorised representatives of the Company on 5 July 2019. She has more than ten years of experience in serving as company secretary of Hong Kong companies and providing company secretary services to companies listed on the Stock Exchange. Ms. Ho Wing Yan is an associate member of both The Hong Kong Institute of Chartered Secretaries (“HKICS”) and The Institute of Chartered Secretaries and Administrators. She is also a holder of the Practitioner’s Endorsement issued by HKICS.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of China Gem Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2020 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are providing money lending, license and financial service business, fund investment and property development. The principal activities of the Company's principal subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is provided in the Management Discussion and Analysis set out on pages 5 to 10 of this annual report.

SEGMENT INFORMATION

An analysis to the Group's revenue and contribution to results by principal activities for the year ended 31 December 2020 is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2020 and the statements of financial position of the Group as at 31 December 2020 are set out in the consolidated financial statements on pages 44 to 46.

FINAL DIVIDEND

The Board did not recommend the payment of any dividend in respect of the year ended 31 December 2020 (2019: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets, liabilities and non-controlling interests of the Group for the last five years is set out on pages 124 to 125. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 34 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 39 to the consolidated financial statements and in the consolidated statement of changes in equity on page 47 of the annual report respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

The Company has no reserves, comprise share premium and accumulated losses, available for distribution to shareholders as at 31 December 2020 (31 December 2019: no reserves available for distribution).

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK\$1,904,307,000 (31 December 2019: HK\$1,904,307,000) can be distributed in the form of fully paid shares.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the Year are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

The Directors of the Company during the Year and up to the date of this report are:

Executive Directors

Mr. Liu Jieshan⁽¹⁾
Mr. Cui Lei⁽²⁾
Mr. Sun Xuguo⁽³⁾
Mr. Chen Jie⁽⁴⁾
Mr. Zhong Ling⁽⁵⁾
Mr. Yan Ping⁽⁶⁾

Non-executive Directors

Mr. Hong Yu⁽⁷⁾
Mr. Liu Ting An⁽⁸⁾
Mr. Kan Chi Ming⁽⁹⁾

Independent non-executive Directors

Mr. Su Xihe⁽¹⁰⁾
Mr. Wong Wai Chun Alex⁽¹¹⁾
Mr. He Yaode⁽¹²⁾
Ms. Chan Chu Hoj⁽¹³⁾
Mr. Huang Yupeng⁽¹⁴⁾
Mr. Warren Lee Primhak⁽¹⁵⁾
Mr. Li Haibo⁽¹⁶⁾

DIRECTORS' REPORT

- ⁽¹⁾ Mr. Liu Jieshan resigned as an executive Director and the chairman of the Board (the "Chairman") due to his intention to concentrate on other business commitments on 22 January 2020.
- ⁽²⁾ Mr. Cui Lei resigned as an executive Director and the chief executive of the Company (the "Chief Executive") due to his intention to concentrate on other business commitments on 22 January 2020.
- ⁽³⁾ Mr. Sun Xuguo was appointed as an executive Director and the Chief Executive on 22 January 2020 and resigned on 26 March 2020 due to his intention to concentrate on other business commitments.
- ⁽⁴⁾ Mr. Chen Jie was appointed as an executive Director and the Chief Executive on 26 March 2020 and resigned on 19 January 2021 due to his intention to concentrate on other business commitments.
- ⁽⁵⁾ Mr. Zhong Ling was appointed as an executive Director and the Chairman on 24 February 2021.
- ⁽⁶⁾ Mr. Yan Ping was appointed as an executive Director on 19 January 2021.
- ⁽⁷⁾ Mr. Hong Yu was appointed as a non-executive Director on 22 January 2020 and resigned on 17 July 2020 due to his intention to concentrate on other business commitments.
- ⁽⁸⁾ Mr. Liu Ting An was appointed as a non-executive Director and the Chairman on 31 March 2020 and resigned on 10 July 2020 due to his intention to concentrate on other business commitments.
- ⁽⁹⁾ Mr. Kan Chi Ming was appointed as a non-executive Director on 27 January 2021.
- ⁽¹⁰⁾ Mr. Su Xihe resigned as an independent non-executive Director on 23 October 2020 due to his intention to concentrate on other business commitments.
- ⁽¹¹⁾ Mr. Wong Wai Chun Alex resigned as an independent non-executive Director on 7 May 2020 due to his intention to concentrate on other business commitments.
- ⁽¹²⁾ Mr. He Yahode resigned as an independent non-executive Director on 7 May 2020 due to his intention to concentrate on other business commitments.
- ⁽¹³⁾ Ms. Chan Chu Hoi was appointed as an independent non-executive Director on 7 May 2020 and resigned on 17 July 2020 due to her intention to concentrate on other business commitments.
- ⁽¹⁴⁾ Mr. Huang Yupeng was appointed as an independent non-executive Director on 7 May 2020 and resigned on 11 January 2021 due to his intention to concentrate on other business commitments.
- ⁽¹⁵⁾ Mr. Warren Lee Primhak was appointed as an independent non-executive Director on 19 January 2021.
- ⁽¹⁶⁾ Mr. Li Haibo was appointed as an independent non-executive Director on 1 April 2021.

Biographical details of the existing Directors are set out on pages 11 to 12.

In accordance with bye-laws 86(2) of the Bye-laws of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall be eligible for re-election. Accordingly, Mr. Zhong Ling, Mr. Yan Ping, Mr. Kan Chi Ming, Mr. Warren Lee Primhak and Mr. Li Haibo shall be eligible for re-election at the AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has arranged insurance coverage in respect of legal action against its Directors during the Year.

DIRECTORS' SERVICE CONTRACTS

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

CHANGES IN INFORMATION ON DIRECTORS

Mr. Yan Ping has resigned as a member of the Nomination Committee with effect from 1 April 2021.

Mr. Kan Chi Ming has resigned as a member of each of the Nomination Committee and the Remuneration Committee with effect from 1 April 2021.

Mr. Warren Lee Primhak has been appointed as a member of the Nomination Committee with effect from 1 April 2021.

Save as disclosed herein, there is no change in information on the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading of "Directors' and chief executives' interests in shares", the "2010 Share Option Scheme" and "2019 Share Option Scheme" as disclosed below, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

Save for the service agreements, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

EQUITY-LINKED AGREEMENT

Details of equity-linked agreements were entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the Year are set out below:

2010 Share Option Scheme

The share option scheme was approved and adopted by the Shareholders pursuant to an ordinary resolution passed on 28 July 2010 with scheme mandate limit refreshed on 25 May 2016 and was terminated by the Shareholders on 27 May 2019 (the "2010 Share Option Scheme").

The main purpose of the 2010 Share Option Scheme is to provide incentives or rewards to the eligible participants for their contribution to the Group. The eligible participants include employees (whether full-time or part-time) and directors of the Company or any subsidiary. The eligible participants shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

Subject to the terms and conditions of the 2010 Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant or grantee including exercised and outstanding options in any twelve month period up to the date of grant shall not exceed 1% of the Shares in issue without prior approval from the Shareholders. Any grant of options to substantial Shareholders or independent non-executive Directors in excess of 0.1% of the Company's issued Shares and with a value in excess of HK\$5,000,000 must be approved in advance by the Shareholders. The total number of Shares available for issue under the 2010 Share Option Scheme is 72,620,000 Shares, representing approximately 1.71% of the number of issued Shares as at the date of this report.

An option may be accepted by a participant within 21 days from the date of the offer for grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option under the 2010 Share Option Scheme. An option may be exercised in accordance with the terms of the 2010 Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the day when the offer for the grant of options is made but shall end in any event not later than 10 years from the day when the offer for the grant of options is made subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to grantees, there is no minimum period required under the 2010 Share Option Scheme for the holding of an option before it can be exercised.

Before the termination of the 2010 Share Option Scheme and under the terms of the 2010 Share Option Scheme, the Board may, at their discretion, grant options to the participants who fall within the definition prescribed in the 2010 Share Option Scheme including the directors and employees of the Company or its subsidiaries to subscribe for Shares at a price equal to the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the offer date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding to the offer date; and (iii) the nominal value of the Shares. Outstanding share options granted under the 2010 Share Option Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the 2010 Share Option Scheme.

Subject to earlier termination by the Company in general meeting or by the Directors, the 2010 Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption.

DIRECTORS' REPORT

Details of the share options outstanding as at 31 December 2020 which have been granted under the Scheme are as follows:

Category and name of participants	Grant date	Exercisable from	Exercisable until	Outstanding as at 1 January 2020	Granted during the Period	Exercised during the Period	Lapsed/ Cancelled during the Period	Outstanding as at 31 December 2020	Exercise price per Share (HK\$)
Director									
Cui Lei (resigned on 22 January 2020)	23 November 2018	23 May 2019	22 November 2023	19,440,000	—	—	19,440,000	—	0.108
Employees									
	23 November 2018	23 November 2018	22 November 2023	4,134,000	—	—	—	4,134,000	0.108
	23 November 2018	23 February 2019	22 November 2023	17,206,000	—	—	—	17,206,000	0.108
	23 November 2018	23 May 2019	22 November 2023	51,280,000	—	—	—	51,280,000	0.108
Total				<u>92,060,000</u>	<u>—</u>	<u>—</u>	<u>19,440,000</u>	<u>72,620,000</u>	

Note: The weighted average closing price of the Shares immediately before the dates on which the share options were exercised is approximately HK\$0.1416.

2019 Share Option Scheme

The new share option scheme of the Company was approved and adopted by the Shareholders pursuant to an ordinary resolution passed on 27 May 2019 (the "2019 Share Option Scheme"). The main purpose of the 2019 Share Option Scheme is to provide incentives or rewards to the eligible participants for their contribution or potential contribution. The eligible participants include employees (whether full-time or part-time) and directors of the Company or any subsidiary. The eligible participants shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

Subject to the terms and conditions of the 2019 Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant or grantee including exercised and outstanding options in any twelve month period up to the date of grant shall not exceed 1% of the Shares in issue without prior approval from the Shareholders. Any grant of options to substantial Shareholders or independent non-executive Directors in excess of 0.1% of the Company's issued Shares and with a value in excess of HK\$5,000,000 must be approved in advance by the Shareholders. The total number of Shares available for issue under the 2019 Share Option Scheme is 414,597,333 Shares, representing approximately 9.76% of the number of issued Shares as at the date of this report.

An offer of the grant of an option shall be made to eligible participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the eligible participant concerned for a period of 21 days inclusive of, from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the date which the 2019 Share Option Scheme was adopted or the termination of the 2019 Share Option Scheme or the eligible participant to whom such offer is made has ceased to be an eligible participant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

DIRECTORS' REPORT

The subscription price for Shares under the 2019 Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Share on the offer date.

Subject to the terms of the 2019 Share Option Scheme, an option may be exercised in whole or in part at any time during the period to be determined and notified by the Directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of 10 years from the date of the grant of the particular option but subject to the provisions for early termination of the 2019 Share Option Scheme. There is no specified minimum period under the 2019 Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the 2019 Share Option Scheme.

The 2019 Share Option Scheme shall be valid and effective for a period of ten years commencing from its date of adoption on 27 May 2019 and expiring on 26 May 2029. The remaining life of the Share Option Scheme is 8 years. No share option has been granted, exercised, lapsed or cancelled under the 2019 Share Option Scheme up to the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES OR DEBENTURES

Other than the 2010 Share Option Scheme and 2019 Share Option Scheme as disclosed above, at no time during the year ended 31 December 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of securities in, or debentures of, the Company or any other body corporate, and neither the Directors, nor chief executive of the Company, or any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for any securities in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2020, none of the Directors or their respective close associates was interested in any business (apart from the Group's businesses) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 40 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, holding companies, or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

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

As at 31 December 2020, none of the Directors or the chief executive of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

DIRECTORS' REPORT

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

So far as being known to the Directors or chief executive of the Company, as at 31 December 2020, the interests and short positions of the substantial Shareholders or other persons (other than the Directors or chief executive of the Company) in the Shares and underlying Shares which have been disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Number of Shares held in long position (L)/ short position (S)	Approximate percentage of the total issued Shares (Note g)
China Gem Financial Group Limited	Beneficial owner	820,092,952 (L)	19.30% (L)
		511,281,872 (S)	12.03% (S)
China Gem Group Limited (Note a)	Interests in controlled corporation	820,092,952 (L)	19.30% (L)
		511,281,872 (S)	12.03% (S)
Zhong Ling (Note b)	Interests in controlled corporation	820,092,952 (L)	19.30% (L)
		511,281,872 (S)	12.03% (S)
Hua Tai Investment Co. Ltd.	Beneficial owner	648,878,128 (L)	15.27% (L)
		138,718,128 (S)	3.26% (S)
An Hong (Note c)	Interests in controlled corporation	648,878,128 (L)	15.27% (L)
		138,718,128 (S)	3.26% (S)
至卓飛高企業管理諮詢服務(韶關)有限公司	Person having a security interest in shares	493,160,000 (L)	11.60% (L)
Topsearch Printed Circuits (HK) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
Topsearch Industries (Holdings) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
Topsearch Industries (BVI) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
China HKBridge Holdings Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
Prosper Talent Limited (Note e)	Person having a security interest in shares	359,537,333 (L)	8.46% (L)
CCBI Investments Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
CCB International (Holdings) Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
CCB Financial Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
CCB International Group Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
China Construction Bank Corporation (Note e)	Interests in controlled corporation	197,000,000 (L)	4.64% (L)
Central Huijin Investment Ltd. (Note e)	Interests in controlled corporation	197,000,000 (L)	4.64% (L)
Fen River Capital Limited	Beneficial owner	5,880,000 (L)	0.14% (L)
	Person having a security interest in shares	290,462,667 (L)	6.83% (L)
Huang Zhengxiong (Note f)	Interests in controlled corporation	296,342,667 (L)	6.97% (L)

DIRECTORS' REPORT

Notes:

- (a) China Gem Group Limited was deemed to be interested in the 820,092,952 Shares as it directly held 100% of the issued shares of China Gem Financial Group Limited.
- (b) Mr. Zhong Ling was deemed to be interested in the 820,092,952 Shares as he indirectly held 100% of the issued shares of China Gem Financial Group Limited.
- (c) Mr. An Hong was deemed to be interested in the 648,878,128 Shares as he directly held 100% of the issued shares of Hua Tai Investment Co. Ltd.
- (d) 至卓飛高企業管理諮詢服務(韶關)有限公司 is a wholly-owned subsidiary of Topsearch Printed Circuits (HK) Limited, which in turn is a wholly-owned subsidiary of Topsearch Industries (Holdings) Limited, which in turn is a wholly-owned subsidiary of Topsearch Industries (BVI) Limited, which in turn is a wholly-owned subsidiary of China HKBridge Holdings Limited.
- (e) On 3 November 2017, the Company entered into a note purchase agreement with Prosper Talent Limited in relation to two-year notes in an aggregate principal amount of HK\$180 million. China Gem Financial Group Limited charged 359,537,333 Shares in favour of the Prosper Talent Limited as security for the notes. Prosper Talent Limited completed a sale of shares on 27 October 2020 and 12 November 2020 respectively. On 3 December 2020, Prosper Talent Limited ceased to have a notifiable interest in the shares of the Company. After the events, Prosper Talent Limited was interested in 197,000,000 Shares.

Prosper Talent Limited is a wholly-owned subsidiary of CCBI Investments Limited, which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited, which in turn is a wholly-owned subsidiary of CCB Financial Holdings Limited, which in turn is a wholly-owned subsidiary of CCB International Group Holdings Limited, which in turn is a wholly-owned subsidiary of China Construction Bank Corporation, which is 57.11% held by Central Huijin Investment Ltd.
- (f) Mr. Huang Zhengxiong was deemed to be interested in the 296,342,667 shares as he directly held 100% of the issued shares of Fen River Capital Limited.
- (g) These percentages are calculated on the basis of 4,250,013,330 issued Shares as at 31 December 2020.

Save as disclosed above, the Company has not been notified of any persons other than substantial shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 December 2020.

ADVANCE TO AN ENTITY

On 27 December 2017, Professional Wealth Creation Limited (the "Lender", a wholly-owned subsidiary of the Company) entered into the First Facility Agreement with Debao Property Development (HK) Limited (the "Borrower", an independent third party), pursuant to which the Lender agreed to grant to the Borrower a facility in the principal amount of HK\$30,000,000, bearing interest at a rate of 15% per annum for a period of three months (the "First Facility"). The Borrower paid all the interest on the First Facility on drawdown date and repaid the principal of the First Facility in full to the Lender on the repayment date.

On 7 February 2018, the Lender entered into the Second Facility Agreement with the Borrower and Debao Property Development Ltd. (the "Corporate Guarantor"), pursuant to which the Lender agreed to further grant to the Borrower a facility in the principal amount of HK\$23,000,000 or the equivalent amount in US dollars, bearing interest at a rate of 15% per annum for a period of two months (the "Second Facility") and the Corporate Guarantor agreed to guarantee the obligations of the Borrower under the Second Facility Agreement. The Borrower paid all the interest and repaid the principal of the Second Facility in full to the Lender on the repayment date.

DIRECTORS' REPORT

On 9 April 2018, the Lender entered into the Third Facility Agreement with the Borrower and the Corporate Guarantor, pursuant to which the Lender agreed to further grant to the Borrower a facility in the principal amount of HK\$50,000,000 or the equivalent amount in US dollars, bearing interest at a rate of 15% per annum for a period of six months (the "Third Facility") and the Corporate Guarantor agreed to guarantee the obligations of the Borrower under the Third Facility Agreement. The Borrower has not paid any the interest and has not repaid the principal of the Third Facility to the Lender as of the date hereof.

RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into the Group during the year are set out in note 40 to the financial statements. For the year ended 31 December 2020, such transactions did not fall within the definition of connected transaction or constituted connected transaction as defined in Chapter 14A of the Listing Rules.

KEY RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found during the year ended 31 December 2020. The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regularly analyzes its customers' feedbacks.

For the year ended 31 December 2020, the Group had no major suppliers due to the nature of the principal activities of the Group.

Our major customers include companies in industrial investment, chemical industry, trading, investment holding, mining investment, investment management, real estate investment, high-tech investment, steel structure engineering and installation, intelligent parking, automobile and electronic business. The years of business relationship with the Group ranged from 2 to 3 years and the credit terms granted to the major customers ranged from 0 to 180 days. Details of the trade and other receivables of the Group as at 31 December 2020 are set out in note 24 to the financial statements. Up to the date of this report, approximately 0% of the trade and other receivables from the major customers has been settled.

During the year ended 31 December 2020, the Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We did not have any material dispute with our customers.

MAJOR SUPPLIERS AND CUSTOMERS

The amount of revenue attributable to the Group's largest customer represented 3% of the Group's total revenue.

The aggregate amount of revenue attributable to the Group's five largest customers represented 17% of the Group's total revenue.

In addition, the nature of the activities of the Group is such that the Group has no purchases during the Year.

DIRECTORS' REPORT

As far as the Directors are aware, neither the Directors, their close associates nor those shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's five largest customers.

PRE-EMPTIVE RIGHTS

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Company is aware, save as disclosed in note 22 to the consolidated financial statements, there was no material breach of or non-compliance with all applicable laws and regulations that had a significant impact on the businesses and operation of the Group during the Year.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 26 to 39 of the annual report.

NON-COMPLIANCE WITH RULES 3.10, 3.21 AND 3.25 OF THE LISTING RULES

Ms. Chan Chu Hoi, Mr. Su Xihe and Mr. Huang Yupeng resigned as independent non-executive Directors on 17 July 2020, 23 October 2020 and 11 January 2021 respectively (the "Resignations"). Following the Resignations, the Board comprised no independent non-executive Director, which therefore fell below the minimum requirements under Rule 3.10 of the Listing Rules. Mr. Warren Lee Primhak ("Mr. Primhak") and Mr. Li Haibo ("Mr. Li") were appointed as independent non-executive Directors of the Company on 19 January 2021 and 1 April 2021 respectively (collectively the "Appointments"). Following the Appointments, the Board has only two independent non-executive Directors and neither Mr. Primhak nor Mr. Li is a professional in accounting or related financial management expertise, which therefore still falls below the minimum requirements under Rule 3.10 of the Listing Rules.

In addition, the number of member of each of the Audit Committee and the Remuneration Committee decreased from three to zero after the Resignations, which fell below the requirements under Rules 3.21 and 3.25 of the Listing Rules.

DIRECTORS' REPORT

Following the appointment of Mr. Kan Chi Ming, Mr. Primhak and Mr. Li, the Audit Committee comprises three members but without any independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, which therefore still falling below the requirements under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Yan Ping, Mr. Primhak and Mr. Li, the Company re-complied with Rule 3.25 of the Listing Rules.

Pursuant to Rule 3.11 of the Listing Rules, the Company should appoint additional independent non-executive Directors within three months after failing to meet the requirements under Rule 3.10 of the Listing Rules. Moreover, Rule 3.23 of the Listing Rules requires the Company to appoint additional appropriate members to the Audit Committee within three months after failing to meet the requirements under Rule 3.21 of the Listing Rules. However, the Company was unable to identify and appoint suitable candidates to fill the vacancies within three months after the Resignations. The Company has been endeavouring to identify suitable candidates to fill the vacancy as soon as practicable.

EVENTS AFTER THE REPORTING PERIOD

Events after reporting period are disclosed in note 45 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by BDO Limited ("BDO"). BDO resigned as the auditor of the Company with effect from 10 January 2020 and Yongtuo Fuson CPA Limited ("Yongtuo Fuson") was appointed as the auditor of the Company with effect from 10 January 2020 to fill the casual vacancy. The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by Yongtuo Fuson. Yongtuo Fuson was resigned as the auditor of the Company with effect 30 March 2021. Prism CPA Limited ("Prism") was appointed as the auditor of the Company with effect from 30 March 2021 to fill the casual vacancy and to hold office until the conclusion of the forthcoming AGM.

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by Prism whose term of office will expire upon the AGM. A resolution for the appointment of Prism as the auditors of the Company for the subsequent year is to be proposed at the AGM.

On Behalf of the Board

Mr. Zhong Ling

Chairman

Hong Kong, 7 May 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Compliance with the Corporate Governance Code

The Board is committed to establish and maintain high standards of corporate governance practices and procedures to enhance shareholders' interest and promote sustainable development. The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance.

The corporate governance principles of the Company emphasize an effective Board, sound internal control, appropriate independence policy, transparency and accountability to the shareholders of the Company. The Board will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies may meet the general rules and standards required by the Listing Rules. Throughout the year ended 31 December 2020 (the "Year"), the Company has complied with the code provisions of the CG Code, except for the following deviations:

CODE PROVISION A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Please refer to the paragraph under "Chairman and Chief Executive" below for details.

CODE PROVISION A.5.1

Following the Resignations, the Nomination Committee had no member which deviated from code provision A.5.1 of the CG Code, which the Nomination Committee should be chaired by the chairman of the board or an independent non-executive Director and comprises a majority of independent non-executive Directors.

As at the date of this report, the Nomination Committee comprises three members, with one executive Director and two independent non-executive Directors, namely Mr. Zhong Ling (Chairman of the Nomination Committee), Mr. Warren Lee Primhak and Mr. Li Haibo. The Company has been in compliance with code provision A.5.1 of the CG Code as at the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. In response to specific enquiry made by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2020. The Company also adopted a code of conduct governing securities transactions by its employees who may access to inside information relating to the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five Directors, including two executive Directors, one non-executive Director and two independent non-executive Directors. The biographical details of the Directors are set out in the section entitled “Biographies of Directors and Senior Management” on pages 11 to 12 in this Annual Report. Each of the Directors had signed a service agreement setting out the key terms and conditions of his service. A list containing the names of all the Directors and their role and function has been published on the respective websites of the Stock Exchange and the Company pursuant to code provision A.3.2 of the CG Code, and will be updated from time to time as and when there are any changes.

The Company was failed to maintain a sufficient number of independent non-executive Directors representing more than one-third of the Board as required under the Listing Rules. The Company has been endeavouring to identify suitable candidates to fill the vacancy as soon as practicable.

The Board delegated its functions to various Board committees (including the Audit Committee, Remuneration Committee and Nomination Committee), with specific written terms of reference which clearly define their respective roles, authorities and functions while specifically reserving certain important matters and decisions for the Board’s approval.

Regular Board meetings are held at least four times a year with at least fourteen days prior notice being given to all the Directors. Additional Board meeting(s) will be arranged and held as and when required. The Directors may attend the Board meetings either in person or through electronic means of communication. A total of 7 Board meetings were held during the year ended 31 December 2020.

The Directors are provided with all relevant information in advance to enable them to make informed decisions and appropriate arrangements to ensure that they are given every opportunity to include matters in the agendas for the regular Board meetings. All Directors have separate and independent access to the advice and services of the Group’s senior management and consultants to ensure the Board complying with all applicable laws, rules and regulations.

CORPORATE GOVERNANCE REPORT

The attendance record of each individual Board member at Board meetings, various Board committee meetings and general meetings of the Company held during the Year are as follows:

Name of Directors	Attendance/Number of Meetings					AGM
	Board	Audit	Remuneration	Nomination	Executive	
Executive Directors						
Mr. Liu Jieshan ⁽¹⁾	2/2	—	—	1/1	0/0	—
Mr. Cui Lei ⁽²⁾	2/2	—	—	—	0/0	—
Mr. Sun Xuguo ⁽³⁾	4/4	—	—	—	0/0	—
Mr. Chen Jie ⁽⁴⁾	4/4	—	—	—	—	1/1
Mr. Zhong Ling ⁽⁵⁾	—	—	—	—	—	—
Mr. Yan Ping ⁽⁶⁾	—	—	—	—	—	—
Non-executive Directors						
Mr. Hong Yu ⁽⁷⁾	5/5	—	—	—	—	1/1
Mr. Liu Ting An ⁽⁸⁾	4/4	—	—	—	—	1/1
Mr. Kan Chi Ming ⁽⁹⁾	—	—	—	—	—	—
Independent non-executive Directors						
Mr. Su Xihe ⁽¹⁰⁾	7/7	4/4	4/4	4/4	—	0/1
Mr. Wong Wai Chun Alex ⁽¹¹⁾	5/5	3/3	4/4	4/4	—	—
Mr. He Yaode ⁽¹²⁾	5/5	3/3	4/4	4/4	—	—
Ms. Chan Chu Ho ⁽¹³⁾	1/1	0/0	0/0	0/0	—	1/1
Mr. Huang Yupeng ⁽¹⁴⁾	2/2	1/1	0/0	0/0	—	1/1
Mr. Warren Lee Primhak ⁽¹⁵⁾	—	—	—	—	—	—
Mr. Li Haibo ⁽¹⁶⁾	—	—	—	—	—	—

⁽¹⁾ Mr. Liu Jieshan resigned as an executive Director and the chairman of the Board (the "Chairman") due to his intention to concentrate on other business commitments on 22 January 2020.

⁽²⁾ Mr. Cui Lei resigned as an executive Director and the chief executive of the Company due (the "Chief Executive") to his intention to concentrate on other business commitments on 22 January 2020.

⁽³⁾ Mr. Sun Xuguo was appointed as an executive Director and the Chief Executive on 22 January 2020 and resigned on 26 March 2020 due to his intention to concentrate on other business commitments.

⁽⁴⁾ Mr. Chen Jie was appointed as an executive Director and the Chief Executive on 26 March 2020 and resigned on 19 January 2021 due to his intention to concentrate on other business commitments.

⁽⁵⁾ Mr. Zhong Ling was appointed as an executive Director and the Chairman on 24 February 2021.

⁽⁶⁾ Mr. Yan Ping was appointed as an executive Director on 19 January 2021.

⁽⁷⁾ Mr. Hong Yu was appointed as a non-executive Director on 22 January 2021 and resigned on 17 July 2020 due to his intention to concentrate on other business commitments.

⁽⁸⁾ Mr. Liu Ting An was appointed as a non-executive Director and the Chairman on 31 March 2020 and resigned on 10 July 2020 due to his intention to concentrate on other business commitments.

⁽⁹⁾ Mr. Kan Chi Ming was appointed as a non-executive Director on 27 January 2021.

CORPORATE GOVERNANCE REPORT

- ⁽¹⁰⁾ Mr. Su Xihe resigned as an independent non-executive Director on 23 October 2020 due to his intention to concentrate on other business commitments.
- ⁽¹¹⁾ Mr. Wong Wai Chun Alex resigned as an independent non-executive Director on 7 May 2020 due to his intention to concentrate on other business commitments.
- ⁽¹²⁾ Mr. He Yahode resigned as an independent non-executive Director on 7 May 2020 due to his intention to concentrate on other business commitments.
- ⁽¹³⁾ Ms. Chan Chu Hoi was appointed as an independent non-executive Director on 7 May 2020 and resigned on 17 July 2020 due to her intention to concentrate on other business commitments.
- ⁽¹⁴⁾ Mr. Huang Yupeng was appointed as an independent non-executive Director on 7 May 2020 and resigned on 11 January 2021 due to his intention to concentrate on other business commitments.
- ⁽¹⁵⁾ Mr. Warren Lee Primhak was appointed as an independent non-executive Director on 19 January 2021.
- ⁽¹⁶⁾ Mr. Li Haibo was appointed as an independent non-executive Director on 1 April 2021.

Chairman and Chief Executive

As at 31 December 2020, the role of the chief executive of the Company was performed by Mr. Chen Jie, Mr. Chen Jie was resigned as an executive Director and the chief executive of the Company (the "Chief Executive") on 19 January 2021 due to his intention to concentrate on other business commitments.

As at the date of this report, the role of the chairman of Board was performed by Mr. Zhong Ling who possesses essential leadership skills and has extensive knowledge in the business of the Group.

Although the appointment of the Chief Executive had been outstanding, with the support of the company secretary of the Company, the Board seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and received adequate and reliable information on a timely basis. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the Chief Executive in future.

Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Pursuant to the bye-laws of the Company (the "Bye-laws") and the CG Code, every Director is subject to re-election and retirement by rotation at least once every three (3) years. All the non-executive Directors are subject to the aforesaid retirement requirements and are appointed for a specific term of not more than three (3) years. Further, pursuant to the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires, provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Accordingly, each of Mr. Zhong Ling, Mr. Yan Ping, Mr. Kan Chi Ming, Mr. Warren Lee Primhak and Mr. Li Haibo shall be eligible for re-election by the Shareholders in the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

The Board has two (2) independent non-executive Directors with no appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Company has been endeavouring to identify suitable candidates to fill the vacancy as soon as practicable. The Company has received from the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

Directors' Continuous Professional Development

All Directors are provided with training, updates and written materials on relevant laws, rules and regulations to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business. The Directors are encouraged to participate in various professional development programmes especially in relation to latest updates on relevant rules, regulations and compliance requirements to develop and refresh their knowledge and skills in order to ensure that the Directors' contribution to the Board remains informed and relevant.

According to the records of training provided by each Director to the Company, training received by all Directors is summarized in the following table:

	Attending training organised by professional organisations and/or reading materials updating on new rules and regulations
Executive Directors	
Mr. Liu Jieshan ⁽¹⁾	√
Mr. Cui Lei ⁽²⁾	√
Mr. Sun Xuguo ⁽³⁾	√
Mr. Chen Jie ⁽⁴⁾	√
Mr. Zhong Ling ⁽⁵⁾	√
Mr. Yan Ping ⁽⁶⁾	√
Non-executive Directors	
Mr. Hong Yu ⁽⁷⁾	√
Mr. Liu Ting An ⁽⁸⁾	√
Mr. Kan Chi Ming ⁽⁹⁾	√
Independent non-executive Directors	
Mr. Su Xihe ⁽¹⁰⁾	√
Mr. Wong Wai Chun Alex ⁽¹¹⁾	√
Mr. He Yaode ⁽¹²⁾	√
Ms. Chan Chu Hoi ⁽¹³⁾	√
Mr. Huang Yupeng ⁽¹⁴⁾	√
Mr. Warren Lee Primhak ⁽¹⁵⁾	√
Mr. Li Haibo ⁽¹⁶⁾	√

CORPORATE GOVERNANCE REPORT

- ⁽¹⁾ Mr. Liu Jieshan resigned as an executive Director and the chairman of the Board (the “Chairman”) due to his intention to concentrate on other business commitments on 22 January 2020.
- ⁽²⁾ Mr. Cui Lei resigned as an executive Director and the chief executive of the Company (the “Chief Executive”) due to his intention to concentrate on other business commitments on 22 January 2020.
- ⁽³⁾ Mr. Sun Xuguo was appointed as an executive Director and the Chief Executive on 22 January 2020 and resigned on 26 March 2020 due to his intention to concentrate on other business commitments.
- ⁽⁴⁾ Mr. Chen Jie was appointed as an executive Director and the Chief Executive of the Company on 26 March 2020 and resigned on 19 January 2021 due to his intention to concentrate on other business commitments.
- ⁽⁵⁾ Mr. Zhong Ling was appointed as an executive Director and the Chairman on 24 February 2021.
- ⁽⁶⁾ Mr. Yan Ping was appointed as an executive Director on 19 January 2021.
- ⁽⁷⁾ Mr. Hong Yu was appointed as a non-executive Director on 22 January 2021 and resigned on 17 July 2020 due to his intention to concentrate on other business commitments.
- ⁽⁸⁾ Mr. Liu Ting An was appointed as a non-executive Director and the Chairman on 31 March 2020 and resigned on 10 July 2020 due to his intention to concentrate on other business commitments.
- ⁽⁹⁾ Mr. Kan Chi Ming was appointed as a non-executive Director on 27 January 2021.
- ⁽¹⁰⁾ Mr. Su Xihe resigned as an independent non-executive Director on 23 October 2020 due to his intention to concentrate on other business commitments.
- ⁽¹¹⁾ Mr. Wong Wai Chun Alex resigned as an independent non-executive Director on 7 May 2020 due to his intention to concentrate on other business commitments.
- ⁽¹²⁾ Mr. He Yahode resigned as an independent non-executive Director on 7 May 2020 due to his intention to concentrate on other business commitments.
- ⁽¹³⁾ Ms. Chan Chu Hoi was appointed as an independent non-executive Director on 7 May 2020 and resigned on 17 July 2020 due to her intention to concentrate on other business commitments.
- ⁽¹⁴⁾ Mr. Huang Yupeng was appointed as an independent non-executive Director on 7 May 2020 and resigned on 11 January 2021 due to his intention to concentrate on other business commitments.
- ⁽¹⁵⁾ Mr. Warren Lee Primhak was appointed as an independent non-executive Director on 19 January 2021.
- ⁽¹⁶⁾ Mr. Li Haibo was appointed as an independent non-executive Director on 1 April 2021.

Directors’ Insurance

During the Year, the Company has arranged insurance coverage in respect of legal action against the Directors and officers arising out of their duties. Such insurance coverage will be reviewed at least annually to ensure the adequacy of its coverage.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee was set up with the responsibilities of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. As at the date of this report, the Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely Mr. Kan Chi Ming, Mr. Warren Lee Primhak and Mr. Li Haibo.

The audited consolidated results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

The Audit Committee reviews the interim and annual reports before submission to the Board. At least one member has an appropriate professional qualification or accounting or related financial management expertise. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

Senior representatives of the external auditor, Executive Directors and senior executives are invited to attend the meetings, if required. Each of the Audit Committee members has unrestricted access to the Group's external auditor and the management.

Summary of works

Audit Committee held 4 meetings during the Year. The Audit Committee reviewed the annual and interim results; made recommendations to the Board on the terms of engagement of the external and internal auditors; and reviewed the systems of risk management and internal control and its other duties in accordance with the Audit Committee's terms of reference.

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee with specific written terms of reference which clearly define its role, authority and function. As at the date of this report, the Remuneration Committee comprises three members, with one executive Director and two independent non-executive Directors, namely Mr. Li Haibo (Chairman of the Remuneration Committee), Mr. Yan Ping and Mr. Warren Lee Primhak.

The Remuneration Committee is authorized to investigate any matter within its terms of reference and seeks any information it requires from any employee or Director of the Company and obtains outside legal or other independent professional advice at the cost of the Company if it considers necessary.

Summary of works

The Remuneration Committee held 4 meeting during the Year. The Remuneration Committee reviewed the remuneration packages of the all the Directors and the senior management, made recommendations to the Board on the remuneration of the newly appointed Directors and the senior management and the grant of share options in accordance with the terms of reference of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

Remuneration Policy

The remuneration policy regarding the Directors and senior management of the Group was formulated and will be reviewed by the Remuneration Committee from time to time. Directors, senior management and other employees are remunerated according to their qualifications and experience, job nature and performance and under the pay scales aligned with market conditions. In addition to the contractual remuneration, other benefits including discretionary bonus, medical benefits, insurance coverage and share options may also be offered upon the determination of the Group.

The Company has adopted the 2010 Share Option Scheme and 2019 Share Option Scheme as an incentive to the Directors and eligible employees of the Group. Details of the 2010 Share Option Scheme and 2019 Share Option Scheme are set out in the sections headed “2010 Share Option Scheme” and “2019 Share Option Scheme” in the Directors’ Report.

Pursuant to code provision B1.5 of the CG Code, the details of the annual remuneration of the senior management by band for the year ended 31 December 2020 is as follows:

	Number of senior management
Nil to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	—
HK\$1,500,001 to HK\$2,000,000	—
HK\$2,000,001 to HK\$2,500,000	—
HK\$2,500,001 to HK\$3,000,000	—
HK\$3,000,001 to HK\$3,500,000	—
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Details of the remuneration of each Director for the year ended 31 December 2020 are set out in note 12 to the consolidated financial statements.

NOMINATION COMMITTEE

The Board has established the Nomination Committee with specific written terms of reference which clearly define its role, authority and function. As at the date of this report, the Nomination Committee comprises three members, with one executive Director and two independent non-executive Directors, namely Mr. Zhong Ling (Chairman of the Nomination Committee), Mr. Warren Lee Primhak and Mr. Li Haibo.

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size and composition including skills, knowledge and experience of the Board. In addition, the Nomination Committee also meets as it is required to consider nomination of related matters.

CORPORATE GOVERNANCE REPORT

Summary of works

Nomination Committee held 4 meeting during the Year. The Nomination Committee made recommendations to the Board on the appointment of the newly appointed Directors and the senior management in accordance with the terms of reference of the Nomination Committee, reviewed the board diversity policy, the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Company's strategy.

Nomination Policy

The Board approved and adopted a nomination policy (the "Nomination Policy"). The Nomination Policy sets out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the board of Directors for appointment and (ii) shareholders of the Company for election, as a Director.

Selection Criteria

1. The Committee shall consider a number of factors in assessing the suitability of a proposed candidate:
 - (a) Reputation for integrity;
 - (b) Experience and Professional Expertise, in particular in the financial industry;
 - (c) Commitment in respect of available time, interest and attention to the Company's business;
 - (d) Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
 - (e) Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and
 - (f) Any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and shareholders of the Company.
2. The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's Bye-laws and other applicable rules and regulations.

CORPORATE GOVERNANCE REPORT

Nomination Procedures

1. The Secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Committee. The Nomination Committee may also nominate candidates for Board's consideration.
2. In the context of appointment of any proposed candidate to the Board, the Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.
3. In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.
4. If a shareholder wishes to propose a person for election as a director of the Company at a general meeting, he/she can deposit a written notice at the Company's principal office in Hong Kong for the attention of the Board or the company secretary of the Company or at the branch share registrar in Hong Kong within the lodgment period.
5. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Board Diversity Policy

The Nomination Committee adopted a board diversity policy (the "Board Diversity Policy"). A summary of this policy, together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives are disclosed as below:

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

Measurable Objectives

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

CORPORATE GOVERNANCE REPORT

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

As at the date of this report, the Board comprises five Directors. Two of them are INEDs, and thereby to promote critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, length of services, professional background and skills.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy.

COMPANY SECRETARY

The Company has engaged under a service contract with an external service provider, Ms. Ho Wing Yan ("Ms. Ho"), who is appointed as the Company Secretary. Mr. Kan Chi Ming, Non-executive director of the Company, is the primary corporate contact person of the Company with Ms. Ho.

Being the Company Secretary, Ms. Ho plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Ms. Ho is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors. In accordance with Rule 3.29 of the Listing Rules, Ms. Ho took more than 15 hours of relevant professional training for the Year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements for each financial period to give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In preparing the financial statements for the year ended 31 December 2020, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and prepared the financial statements on a going concern basis.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to monitor the independence of the external auditor to ensure the objectivity in the financial statements. During the year ended 31 December 2020, Prism and Yongtuo Fuson provided the following audit and non-audit services to the Group:

Nature of Services	Amount HK\$'000
External audit services (Prism)	980
Non-audit services (Prism)	—
External audit services (Yongtuo Fuson)	—
Non-audit services (Yongtuo Fuson)	—
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CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control systems of the Group and for reviewing their effectiveness. The Board is committed to implementing an effective and sound risk management and internal controls systems to safeguard the interests of the shareholders and the Group's assets.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

The Company has not established an internal audit department and the Directors are of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to arrange internal Risk Management Department to perform the internal audit function for the Group in order to meet its needs. The risk management and internal control systems are reviewed twice a year, starting with this review. The Group previously engaged external independent professional firms to perform this function.

The Company had arranged internal Risk Management Department to perform an annual review of the internal control systems (including accounting and management systems) of the Group. Based on its internal control review, the Risk Management Department recommended certain internal control improvement measures to the Group. The Company has made analysis to the recommendations and take corresponding reactions.

The process to identify, evaluate and manage risks are carried out on a regular and on-going basis. These processes are summarised as follows:

Risk identification

- Identify risks that may potentially affect the Group's business and operations.

Risk assessment

- Assess the impact and consequence of the identified risks on the business and the likelihood of their occurrence.

Response to findings of risk assessment

- Prioritise the risks by comparing the results of the risk assessment; and
- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk monitoring and reporting

- Perform ongoing and regular monitoring of the risk and ensure that appropriate internal control processes are in place;
- Enhance the risk management strategies and internal control processes in case of any significant change of situation; and
- Report the results and effectiveness of risk management and internal control to the Board regularly.

CORPORATE GOVERNANCE REPORT

The Board has, through the Audit Committee, conducted annual review of the effectiveness of the risk management and internal control systems of the Group. The review covered the budget of the Group's accounting and financial reporting function, adequacy of resources, staff qualifications and experience and training programmers during the Year. The Board considers that the Group's risk management and internal control systems are adequate and effective.

The Company has also established and maintained appropriate procedures for the handling and dissemination of inside information. Disclosure policy was adopted by the Company, providing a general guide to directors, senior management and relevant employees of the Group in the handling and/or monitoring of inside information disclosure pursuant to the relevant rules and regulations.

DIVIDEND POLICY

The Board approved and adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

- (a) the Company's actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- (d) the Group's liquidity position;
- (e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (f) other factors that the Board may considered relevant.

The payment of dividend by the Company is also subject to any restrictions under the laws of Bermuda and the Company's Bye-laws.

The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders could enhance the confidence of investors. The primary communication channel between the Company and its shareholders include the publication of interim and annual reports, announcements and circulars, annual general meeting and other general meetings; the Company encourages all shareholders to attend annual general meeting. The Company's website also provides regularly updated Group information to shareholders; enquires on matters relating to shareholdings and the businesses of the Group are welcome, and are dealt with in an informative and timely manner.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT

Shareholders to Convene a Special General Meeting

Pursuant to bye-law 58 of the Bye-laws, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals at a General Meeting

According to Sections 79 and 80 of the Companies Act 1981 of Bermuda, shareholder(s) of the Company, at his/their own expense, holding (i) not less than one-twentieth of the total voting rights of all shareholders having at the date of requisition the right to vote at general meeting; or (ii) of not less than 100 in number, can submit a written request stating the resolution intended to be moved at the next annual general meeting. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company at Unit 13B, 13/F., Gaylord Commercial Building, 114 Lockhart Road, Wanchai, Hong Kong for the attention to the Company Secretary not less than six weeks before the meeting. The request will be verified with the Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the Year.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA GEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Gem Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 123, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Multiple uncertainties relating to going concern

As described in note 3 to the consolidated financial statements, during the year ended 31 December 2020, the Group reported a net loss attributable to the owners of the Company of HK\$632,240,000. In addition, as at 31 December 2020, the Group had net current liabilities of HK\$743,127,000.

Further, as explained in notes 31 and 32, as at 31 December 2020 and up to the date of approval of these consolidated financial statements, certain of the Group's borrowings were overdue and the Group committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective borrowings and financing agreements entered into by the Group, the lenders and investors. Though the Group has not received any requests from the major lenders and investors to settle outstanding amounts due to them, the management of the Company is ongoing to negotiate and convince the lenders and investors not to exercise their contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the directors of the Company (the "Directors"), there is no indication that the lenders and investors have any current intention to exercise their right to demand immediate repayment thereon.

These conditions, together with other matters as described in note 3 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to mitigate the liquidity pressure and to improve the Group's financial position.

INDEPENDENT AUDITOR'S REPORT

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including but not limited to the following:

- (i) Successful in the finalisation of the Finance Reorganisation (as defined in note 3) with the lenders and investors;
- (ii) Successful of the Additional Funding Plan (as defined in note 3) in obtaining of additional new sources of financing as and when needed;
- (iii) Successful maintenance of relationship with the investors and lenders of the Group, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those investors and lenders against the Group should the Group not be able to meet all the payment obligations on a timely basis; and
- (iv) Successful in the Group's Business and Operation Restructuring Plan (as defined in note 3).

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

2. Opening balance of the bases for disclaimer of opinion to the consolidated financial statements for the year ended 31 December 2019

Loan and interest receivables

As disclosed in notes 23 and 24 to the consolidated financial statements, during the year ended 31 December 2020, the Group based on the independent valuation report and recognised impairment losses in respect of loan receivables of HK\$79,643,000 and interest receivables of HK\$12,219,000 which is included in trade and other receivables respectively.

Debt securities

As disclosed in notes 24 and 26 to the consolidated financial statements, as at 31 December 2020, the Group had debt securities issued by unlisted companies (the "Debt Securities") that are financial assets measured at fair value through profit or loss of HK\$90,591,000 and recognised a fair value loss on the Debt Securities of HK\$409,258,000 during the year based on the independent valuation report. During the year ended 31 December 2020, the Group has recognised impairment loss in respect of investment income receivables of HK\$19,556,000.

We are unable to obtain sufficient appropriate audit evidence on the balances as at 31 December 2019 and the losses recognised for the year ended 31 December 2020. Any adjustments found to be necessary in respect of the opening balances might have significant effects on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

INDEPENDENT AUDITOR'S REPORT

3. Insufficient audit evidence in respect of the opening balance of loan from a former shareholder

As disclosed in note 30 to the consolidated financial statements, the Group has a loan from a former shareholder, Linshan Limited ("Linshan") (the "Linshan Loan"). As at 31 December 2019, the carrying amounts of the Linshan Loan were of HK\$49,598,000 and the related accrued interest were of HK\$2,686,000. We were unable to obtain sufficient appropriate audit evidence regarding the opening balance of the Linshan Loan and the related accrued interest because we were unable to carry out effective confirmation procedures in relation to the carrying values of the Linshan Loan and the related accrued interest as at 31 December 2019 for the purpose of our audit.

There was no satisfactory alternative audit procedures that we could perform to satisfy ourselves as to whether the opening balances of the Linshan Loan and accrued interest have been properly accounted for in the consolidated financial statements. Any adjustments that might have been found necessary may have a significant effect on the Group's net assets at 31 December 2019 and its financial performance and cash flows for the year ended 31 December 2020, and the related disclosures thereof in the consolidated financial statements.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 20 to the consolidated financial statements which states that the Group has made prior year adjustments to financial assets at fair value through other comprehensive income, which have no financial impact to the comparative figures for the year ended 31 December 2019 and the opening balance as at 1 January 2020.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019, were audited by another auditor who expressed a disclaimer of opinion on those statements on 30 March 2020.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE 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.

INDEPENDENT AUDITOR'S REPORT

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Dai Tin Yau.

Prism CPA Limited

Certified Public Accountants

Dai Tin Yau

Practising Certificate Number: P06318

Hong Kong, 7 May 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Revenue	7	19,985	103,938
Other income, net	8	65	1,274
Administrative expenses		(28,987)	(41,954)
Other operating expenses		(3,958)	(2,754)
Fair value (losses) gains on investment properties	18	(731)	22,890
Fair value losses on financial assets at fair value through profit or loss	26	(409,314)	(137,195)
Expected credit loss on financial assets	43	(117,022)	(279,619)
Finance costs	9	(92,431)	(57,743)
		<hr/>	<hr/>
Loss before income tax	10	(632,393)	(391,163)
Income tax credits (expenses)	14	152	(11,352)
		<hr/>	<hr/>
Loss for the year		(632,241)	(402,515)
Other comprehensive income (expenses) for the year, net of tax			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchanges differences on translation of foreign operations		827	(223)
		<hr/>	<hr/>
Total comprehensive expenses for the year		(631,414)	(402,738)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the year attributable to:			
— Owners of the Company		(632,240)	(402,514)
— Non-controlling interests		(1)	(1)
		<hr/>	<hr/>
		(632,241)	(402,515)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive expenses for the year attributable to:			
— Owners of the Company		(631,413)	(402,737)
— Non-controlling interests		(1)	(1)
		<hr/>	<hr/>
		(631,414)	(402,738)
		<hr/> <hr/>	<hr/> <hr/>
		HK cents	HK cents
Loss per share:	15		
Basic and diluted		(14.9)	(9.6)
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	17	3,047	9,121
Investment properties	18	244,845	231,487
Intangible assets	19	<u>—</u>	<u>—</u>
Total non-current assets		<u>247,892</u>	<u>240,608</u>
Current assets			
Properties held for sale	21	1,671	5,629
Properties under development	22	31,431	31,431
Loan receivables	23	34,127	113,770
Trade and other receivables	24	20,823	60,166
Deposits and prepayments	25	2,375	2,211
Financial assets at fair value through profit or loss	26	90,591	499,905
Cash and cash equivalents	27	<u>5</u>	<u>1,439</u>
Total current assets		<u>181,023</u>	<u>714,551</u>
Current liabilities			
Trade and other payables	28	43,865	39,319
Accruals	29	230,787	127,943
Lease liabilities	35	<u>—</u>	4,049
Loan from a former shareholder	30	49,598	49,598
Other borrowings	31	419,933	418,412
Senior notes	32	<u>179,967</u>	<u>179,967</u>
Total current liabilities		<u>924,150</u>	<u>819,288</u>
Net current liabilities		<u>(743,127)</u>	<u>(104,737)</u>
Total assets less current liabilities		<u>(495,235)</u>	<u>135,871</u>
Non-current liabilities			
Lease liabilities	35	<u>—</u>	2,136
Deferred tax liabilities	33	<u>39,849</u>	<u>37,405</u>
Total non-current liabilities		<u>39,849</u>	<u>39,541</u>
Net (liabilities) assets		<u><u>(535,084)</u></u>	<u><u>96,330</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Capital and reserves			
Share capital	34	42,500	42,500
Reserves		(582,474)	<u>48,939</u>
Equity attributable to owners of the Company		(539,974)	91,439
Non-controlling interests		4,890	<u>4,891</u>
Total (deficit) equity		(535,084)	<u>96,330</u>

The consolidated financial statements on pages 44 to 123 were approved and authorised for issue by the Board of Directors on 7 May 2021:

Zhong Ling
Director

Yan Ping
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company								Non-controlling		
	Share capital	Share premium	Capital reserves	Exchange reserve	Distributable reserve	Contributed surplus	Share option reserve	Accumulated losses	Total	interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Note (i)		Note (ii)	Note (iii)	Note (iv)	Note 36				
At 1 January 2019	41,354	1,888,560	11,613	5,951	77,033	1,080,948	3,546	(2,630,867)	478,138	4,892	483,030
Loss for the year	—	—	—	—	—	—	—	(402,514)	(402,514)	(1)	(402,515)
Other comprehensive expenses for the year											
Exchange differences on translating foreign operations	—	—	—	(223)	—	—	—	—	(223)	—	(223)
Total comprehensive expenses for the year	—	—	—	(223)	—	—	—	(402,514)	(402,737)	(1)	(402,738)
Transactions with owners											
Equity settled share-based transactions (note 36)	—	—	—	—	—	—	3,658	—	3,658	—	3,658
Issue of shares upon exercise of share option (note 34)	1,146	15,747	—	—	—	—	(4,513)	—	12,380	—	12,380
At 31 December 2019	<u>42,500</u>	<u>1,904,307</u>	<u>11,613</u>	<u>5,728</u>	<u>77,033</u>	<u>1,080,948</u>	<u>2,691</u>	<u>(3,033,381)</u>	<u>91,439</u>	<u>4,891</u>	<u>96,330</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company								Non-controlling		
	Share capital	Share premium	Capital reserves	Exchange reserve	Distributable reserve	Contributed surplus	Share option reserve	Accumulated losses	Total	interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Note (i)		Note (ii)	Note (iii)	Note (iv)	Note 36				
At 1 January 2020	42,500	1,904,307	11,613	5,728	77,033	1,080,948	2,691	(3,033,381)	91,439	4,891	96,330
Loss for the year	—	—	—	—	—	—	—	(632,240)	(632,240)	(1)	(632,241)
Other comprehensive income for the year											
Exchange differences on translating foreign operations	—	—	—	827	—	—	—	—	827	—	827
Total comprehensive expenses for the year	—	—	—	827	—	—	—	(632,240)	(631,413)	(1)	(631,414)
Transactions with owners											
Equity settled share-based transactions (note 36)	—	—	—	—	—	—	(450)	450	—	—	—
At 31 December 2020	<u>42,500</u>	<u>1,904,307</u>	<u>11,613</u>	<u>6,555</u>	<u>77,033</u>	<u>1,080,948</u>	<u>2,241</u>	<u>(3,665,171)</u>	<u>(539,974)</u>	<u>4,890</u>	<u>(535,084)</u>

Notes:

- (i) Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account can be distributed in the form of fully paid shares.
- (ii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the policy set out in note 4(l).
- (iii) The distributable reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the Company's share issued for the acquisition at the time of the group reorganisation in 1994.
- (iv) The Company passed a special resolution on 31 December 2014 for a capital reduction and the issued share capital of the Company as reduced from approximately HK\$299,617,000 to HK\$14,981,000 on 2 January 2015. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK\$284,636,000. Such amount was credited to the contributed surplus of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Notes</i>	2020	2019
		HK\$'000	HK\$'000
Cash flows from operating activities			
Loss before income tax		(632,393)	(391,163)
Adjustments for:			
Depreciation of property, plant and equipment	<i>17</i>	4,025	4,835
Fair value losses (gains) on investment properties	<i>18</i>	731	(22,890)
Amortisation of intangible assets	<i>19</i>	—	538
Fair value losses on financial assets at fair value through profit or loss		409,314	137,195
Impairment losses on loan receivables		79,643	135,874
Impairment losses on trade and other receivables		37,379	143,745
Equity-settled share-based payment expenses		—	3,658
Interest income		(65)	(130)
Finance costs		92,431	57,743
Losses on disposals of property, plant and equipment		—	138
		<hr/>	<hr/>
Operating (loss) profit before movements in working capital		(8,935)	69,543
Decrease in properties held for sales		3,958	1,611
Decrease (increase) in trade and other receivables		1,964	(84,899)
Decrease in loan receivables		—	9,352
(Increase) decrease in deposits and prepayments		(164)	2,755
Increase in trade and other payables		4,018	1,082
(Increase) decrease in accruals		10,560	(389)
		<hr/>	<hr/>
Net cash generated from (used in) operating activities		11,401	(945)
Cash flows from investing activities			
Interest received		65	130
Proceeds from disposals of property, plant and equipment		—	400
Purchase of property, plant and equipment	<i>17</i>	(32)	(2,084)
		<hr/>	<hr/>
Net cash generated from (used in) investing activities		33	(1,554)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Cash flows from financing activities			
Proceeds from placing of new shares		—	12,380
Proceeds from other borrowings	41	—	500
Repayment of other borrowings	41	—	(10,000)
Repayment of principal portion of lease liabilities	41	(5,971)	(3,469)
Interest paid	41	(6,819)	(2,787)
		<hr/>	<hr/>
Net cash used in financing activities		(12,790)	(3,376)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(1,356)	(5,875)
Cash and cash equivalents at beginning of year		1,439	6,887
Effect of foreign exchange rate changes		(78)	427
		<hr/>	<hr/>
Cash and cash equivalents at end of year, representing by bank balances and cash		5	1,439
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

China Gem Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business of the Company is Unit 13B, 13/F., Gaylord Commercial Building, 114 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of principal subsidiaries are set out in note 38.

2. CHANGES IN ACCOUNTING POLICIES

(a) HKFRSs that are first effective for the current accounting period

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

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

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) New/revised HKFRSs that have been issued but are not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Annual Improvements to HKFRSs 2018–2020 Cycle ¹	

¹ Effective for annual periods beginning on or after 1 January 2022

The directors of the Company (the “Directors”) anticipate that the application of these new and revised HKFRSs will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement and going concern assumption

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

Going concern

During the year ended 31 December 2020, the Group reported a net loss attributable to the owners of the Company of HK\$632,240,000 (2019: HK\$402,514,000). In addition, as at 31 December 2020 and the Group had net current liabilities of HK\$743,127,000 (2019: HK\$104,737,000).

Further, as explained in notes 31 and 32, as at 31 December 2020 and up to the date of approval of these consolidated financial statements, certain of the Group’s borrowings were overdue and the Group committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective borrowings and financing agreements entered into by the Group and the lenders and investors. Though the Group has not received requests from the major lenders and investors to settle outstanding amounts due to them, the management of the Company is ongoing to negotiate and convince the lenders and investors not to exercise their contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the Directors, there is no indication that the lenders and investors have any current intention to exercise their right to demand immediate repayment thereon.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt regarding the Group’s ability to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumption *(Continued)*

Going concern *(Continued)*

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Accordingly, the Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

- (i) The Group is now actively participating in the negotiations in respect of a potential restructuring of the Company's borrowings with its lenders and investors and is still negotiating and convincing the Group's lenders and investors such that no action will be taken by the relevant lenders and investors to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms (the "Finance Reorganisation").
- (ii) The Group is still identifying various options for raising of additional new sources of financing from the shareholders, related parties and the third parties. ("Additional Funding Plan").
- (iii) The Group is still communicating with the Group's investors and lenders of the Group to maintain the relationship with them, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those investors and lenders against the Group should the Group not be able to meet all the payment obligations on a timely basis.
- (iv) The Group continue to take active measures to control operation and administrative costs through various channels, including but not limited to (i) having human resources optimisation and adjustment; (ii) reorganising the structure to each segment and maintaining close communication with customers, creditors, investors, lenders and banks etc; (iii) committing to soliciting for new customers to support the sustainable development of principle business of the Group; and (iv) containment of capital expenditures etc. (the "Business and Operation Restructuring Plan").

The Directors have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 31 December 2020. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumption *(Continued)*

Going concern *(Continued)*

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

- (i) Successful in the finalisation of the Finance Reorganisation with the lenders and investors;
- (ii) Successful of the Additional Funding Plan in obtaining of additional new sources of financing as and when needed;
- (iii) Successful maintenance of relationship with the Group's creditors, investors, lenders and banks, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those creditors, investors, lenders and banks against the Group should the Group not be able to meet all the payment obligations on a timely basis; and
- (iv) Successful in the Group's Business and Operation Restructuring Plan.

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Intangible assets

Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as set out below. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Licenses of regulated activities issued by Securities and Futures Commission ("SFC") for Type 4 "Advising on Securities" and Type 9 "Asset Management" 3 years

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment of other assets as set out in note 4(o) below).

(d) Property, plant and equipment

Owner-occupied leasehold land and buildings are stated at fair value less accumulated depreciation. Revaluations are performed annually to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the properties revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates/useful lives used for this purpose are as follows:

Leasehold land and building	Over the term of the leases
Leasehold improvements	10–50%
Furniture, fixtures and equipment	10–20%
Motor vehicles	20–33 $\frac{1}{3}$ %

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment property

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not held for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(f) Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straightline basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at fair value. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leasing (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(g) Properties held for sale/properties under development

Properties held for sale and properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the reporting date less selling expenses, or by management estimates based on prevailing market conditions.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

(h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(i) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVPL
- Financial assets at FVOCI

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents, trade and other receivables, deposits and loans receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets at FVPL

Financial assets at FVPL include financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

Dividends on listed equity investments are also recognised as “other operating income” in the consolidated income statement when the right of payment has been established.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on trade receivables, loan and other receivables and other debt instruments. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measures loss allowances for trade receivables and loan receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Based on industrial practice and credit assessment of the customers, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 180 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, accruals, loan from a former shareholder, borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

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

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(j) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Revenue recognition *(Continued)*

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) **Services income from property management**

Services income from property management is recognised over time as the service has been rendered. Invoices for these services income are issued on a monthly basis and are usually payable within 30 days.

(ii) **Rental income**

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight — line basis over the period of the relevant leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Revenue recognition (Continued)

(iii) License and financial service business

Finance service income from providing specified financial advisory and acting as independent financial adviser are recognised at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, as only that time the Group has a present right to payment from the customers for the service performed. Invoices for the financial services are issued upon signing service contracts and when stated milestones in the contract are reached.

License fee income from provision of asset management services is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit providing by the Group performs and revenue can be measured reliably.

(iv) Interest income from money lending business

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit — impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the assets.

(v) Investment income from strategic financial investment

Dividend income from equity instruments designated at fair value through profit or loss is recognised in investment income generally when the security becomes ex-dividend.

(vi) Sales of properties

Revenue is recognised over time when 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.

(k) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Income tax *(Continued)*

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the 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 in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Foreign currency *(Continued)*

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(m) Employee benefits

(i) **Short term employee benefits**

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) **Defined contribution retirement plan**

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) **Termination benefits**

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

(n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets with finite lives and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(p) Borrowing costs

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

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

(r) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties *(Continued)*

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment allowances on loans receivables, trade and other receivables

The measurement of impairment losses under both HKFRS 9 and HKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Change in ECL assessment relating to above factors could result in material adjustments to the ECL impairment, if necessary.

Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it 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.

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical terms (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. The Group measures a number of items at fair value:

- Owned properties in property, plant and equipment (note 17);
- Investment properties (note 18);
- Financial assets at fair value through other comprehensive income (note 20); and
- Financial assets at fair value through profit or loss (note 26).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Investment in financial assets at fair value through profit or loss

The Group invests in financial assets at fair value through profit or loss through investment in funds, which are managed by experienced and competent fund managers. Redemption of financial assets is subject to various criteria such as approval of fund managers, lock-up period, fund and its underlying investments maturity etc. Classification of these investments as current asset or non-current asset involves significant estimation and judgements and is subject to its redemption criteria which may be changed from time to time. The maturity of the underlying investments will also lead to such investments cannot be realised within 12 months.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has four (2019: four) reportable segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT REPORTING (Continued)

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provided. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

Details of the operating segments are as follows:

- (i) The money lending segment involves the money lending business in Hong Kong and the PRC.
- (ii) The license and financial service business involves the revenue generated from the licensed corporation with type 4 (advising on securities) and type 9 (asset management) regulated activities, and consultancy and administrative service income of fund portfolio, corporate development strategy consulting, project management consulting etc.
- (iii) The strategic financial investment involves the investment in financial products (those included in note 26) managed by fund managers who have good management skills, reasonable management fee etc.
- (iv) The property development segment involves the development of property, the management and rental of units/shops within a shopping arcade and the sales of residential units in the PRC.

(a) Segment revenues and results

	Money lending		License and financial service business		Strategic financial investment		Property development		Total	
	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
Reporting segment revenue	—	25,103	—	1,323	—	68,648	19,985	8,864	19,985	103,938
Results										
Segment results	(149,009)	(133,988)	(3,753)	(1,075)	(350,744)	(162,200)	18,359	25,415	(485,147)	(271,848)
Unallocated corporate expenses									(54,815)	(61,572)
Finance cost									(92,431)	(57,743)
Loss before income tax									(632,393)	(391,163)
Other segment information										
Fair value (losses) gains on investment properties	—	—	—	—	—	—	(731)	22,890	(731)	22,890
Depreciation of property, plant and equipment	(3,129)	(4,557)	—	—	—	—	(896)	(278)	(4,025)	(4,835)
Fair value losses on financial assets at fair value through profit or loss	—	(7)	—	—	(409,314)	(137,188)	—	—	(409,314)	(137,195)
Impairment loss on loan receivables	(79,643)	(135,874)	—	—	—	—	—	—	(79,643)	(135,874)
Impairment loss on trade and other receivables	(17,028)	(15,996)	(795)	—	(19,556)	(127,547)	—	(202)	(37,379)	(143,745)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT REPORTING (Continued)

(a) Segment revenues and results (Continued)

Segment profit (loss) represents the profit earned (loss) incurred by each segment without allocation of amortisation of intangible assets, certain other revenue and other gain (loss), central administrative expenses, finance costs and income tax credit (expense).

(b) Segment assets and liabilities

	Money lending		License and financial service business		Strategic financial investment		Property development		Total	
	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
Assets										
Reportable segment asset	38,529	133,321	—	1,413	105,544	533,460	284,267	278,037	428,340	946,231
Unallocated assets									575	8,928
Total assets									428,915	955,159
Liabilities										
Reportable segment liabilities	(39,562)	(37,752)	—	(3)	(3,784)	(3,655)	(31,362)	(33,422)	(74,708)	(74,832)
Unallocated liabilities									(849,442)	(746,592)
Deferred tax liabilities									(39,849)	(37,405)
Total liabilities									(963,999)	(858,829)

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

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, certain other receivables, deposits and prepayments and cash and cash equivalents.
- all liabilities are allocated to operating and reportable segments other than certain accruals and other payables, deferred taxation and loans payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT REPORTING (Continued)

(c) Geographical information

The following tables provides an analysis of the Group's revenue from external customers and its non-current assets on the location of operations and geographical location of assets respectively.

	2020 HK\$'000	2019 HK\$'000
Revenue from external customers		
— PRC	19,985	10,408
— Hong Kong	<u>—</u>	<u>93,530</u>
	<u>19,985</u>	<u>103,938</u>
Specified non-current assets		
— PRC	247,035	234,229
— Hong Kong	<u>857</u>	<u>6,379</u>
	<u>247,892</u>	<u>240,608</u>

(d) Information about major customers

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

	2020 HK\$'000	2019 HK\$'000	
Customer A	Revenue generated from the strategic financial investment segment & money lending segment	N/A	22,560
Customer B	Revenue generated from the strategic financial investment segment	N/A	16,455
Customer C	Revenue generated from the strategic financial investment segment	N/A	13,900
Customer D	Revenue generated from the strategic financial investment segment	<u>N/A</u>	<u>11,733</u>
	<u>N/A</u>	<u>64,648</u>	

Note: No revenue was generated from the above customers during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT REPORTING (Continued)

(e) Reconciliation of reportable segment (loss) profit, assets and liabilities

	2020 HK\$'000	2019 HK\$'000
Loss before income tax		
Reportable segment loss	(485,147)	(271,848)
Unallocated corporate expenses	(54,815)	(61,572)
Finance costs	(92,431)	(57,743)
	<u>(632,393)</u>	<u>(391,163)</u>
Assets:		
Reportable segment assets	428,340	946,231
Unallocated corporate assets		
— Cash and cash equivalents	5	1,439
— Other corporate assets	570	7,489
	<u>575</u>	<u>8,928</u>
Consolidated total assets	428,915	955,159
Liabilities:		
Reportable segment liabilities	(74,708)	(74,832)
Unallocated corporate liabilities		
— Loan from a former shareholder	(49,598)	(49,598)
— Other corporate liabilities	(799,844)	(696,994)
	<u>(849,442)</u>	<u>(746,592)</u>
Deferred tax liabilities	(39,849)	(37,405)
Consolidated total liabilities	(963,999)	(858,829)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. REVENUE

Revenue represents the sales of property in the PRC, rental and building management fee income from properties in the PRC, loan interest income from money lending business, license and financial service income and interest receivable from financial assets investment.

	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customer within the scope of HKFRS 15:		
Sales of property in the PRC	16,019	4,244
Building management fee income	1,190	2,069
License and financial service income	—	1,323
	<u>17,209</u>	<u>7,636</u>
Revenue from other sources:		
Property rental income	2,776	2,551
Loan interest income	—	25,103
Investment income from strategic financial investment	—	68,648
	<u>2,776</u>	<u>96,302</u>
Total	<u><u>19,985</u></u>	<u><u>103,938</u></u>
Disaggregation of revenue recognition within the scope of HKFRS 15:		
Sales of property in the PRC		
— At a point of time	16,019	4,244
Building management fee income		
— Transferred over time	1,190	2,069
License and financial service income		
— Transferred over time	—	1,323
	<u>17,209</u>	<u>7,636</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. OTHER INCOME, NET

	2020 HK\$'000	2019 HK\$'000
Other income:		
Interest income	65	130
Sundry income	—	543
	<u>65</u>	<u>673</u>
Other gain:		
Exchange gain, net	—	601
	<u>65</u>	<u>1,274</u>

9. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on loan from a former shareholder	532	521
Interest on other borrowings	48,251	42,380
Interest on senior notes	43,228	14,075
Interest on lease liabilities	420	767
	<u>92,431</u>	<u>57,743</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2020 HK\$'000	2019 HK\$'000
Cost of sales and services recognised as expenses*	3,958	2,754
Staff costs (note 11)	21,119	28,076
Depreciation of		
— Owned property, plant and equipment (note)	896	948
— Right-of-use-assets included within leasehold land and buildings	3,129	3,887
Amortisation of intangible assets#	—	538
Auditor's remuneration#	980	780
Losses on disposals of property, plant and equipment	—	138
Impairment loss on loan receivables®	79,643	135,874
Impairment loss on trade and other receivables®	37,379	143,745
Short-term leases expenses	657	1,879
	<u>657</u>	<u>1,879</u>

Note: Depreciation of property, plant and equipment of HK\$896,000 (2019: HK\$948,000) is included in administrative expenses.

* Items included in other operating expenses

Items included in administrative expenses

® Items included in ECL on financial assets

11. STAFF COSTS

	2020 HK\$'000	2019 HK\$'000
Staff costs (including Directors' emoluments) comprises:		
Salaries and other benefits	20,944	24,194
Contributions to defined contribution retirement plans (note)	175	224
Share-based payment expenses		
— Equity settled	—	3,658
	<u>21,119</u>	<u>28,076</u>

Note:

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) in December 2000 in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

For members of the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK\$1,500 (2019: HK\$1,500) per month, whichever is the smaller to the MPF Scheme. Contributions to the plan vest immediately. No forfeited contribution is available to reduce the contribution payable for the years ended 31 December 2020 and 2019.

The employees of the subsidiaries of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the Directors were as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance related bonus HK\$'000	Share-based payment (note (a)) HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
2020						
Executive Directors						
Chen Jie (Appointed on 26 March 2020 and resigned on 19 January 2021)	—	1,453	—	—	14	1,467
Sun Xuguo (Appointed on 22 January 2020 and resigned on 26 March 2020)	53	328	—	—	15	396
Liu Jieshan (Resigned on 22 January 2020)	18	620	—	—	18	656
Cui Lei (Resigned on 22 January 2020)	18	85	—	—	2	105
Non-executive Directors						
Liu Tingan (Appointed on 31 March 2020 and resigned on 10 July 2020)	168	—	—	—	—	168
Hong Yu (Appointed on 22 January 2020 and resigned on 17 July 2020)	617	—	—	—	—	617
Independent Non-Executive Directors						
Wong Wai Chun Alex (Resigned on 7 May 2020)	42	—	—	—	—	42
Su Xihe (Resigned on 23 October 2020)	151	—	—	—	—	151
He Yaode (Resigned on 7 May 2020)	93	—	—	—	—	93
Chan Chu Hoi (Appointed on 7 May 2020 and resigned on 17 July 2020)	23	—	—	—	—	23
Huang Yupeng (Appointed on 7 May 2020 and resigned on 11 January 2021)	82	—	—	—	—	82
	1,265	2,486	—	—	49	3,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. DIRECTORS' EMOLUMENTS (Continued)

	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance related bonus HK\$'000	Share-based payment (note (a)) HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
2019						
Executive Directors						
Liu Jieshan (Resigned on 22 January 2020)	300	1,760	—	1,025	18	3,103
Cui Lei (Resigned on 22 January 2020)	300	1,700	—	1,025	18	3,043
Yang Huaijun (Resigned on 1 July 2019)	—	1,015	—	1,025	9	2,049
Han Litie (Resigned on 26 June 2019)	—	1,015	—	1,025	9	2,049
Independent Non-Executive Directors						
Wong Wai Chun Alex	120	—	—	—	—	120
Su Xihe	300	—	—	—	—	300
He Yaode	300	—	—	—	—	300
	<u>1,320</u>	<u>5,490</u>	<u>—</u>	<u>4,100</u>	<u>54</u>	<u>10,964</u>

Notes:

- These amounts represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the accounting policies for share-based payments as set out in note 4(n) to the financial statements. Further details of the options granted are set out in note 36 to the financial statements.
- No Directors waived any emolument during the year ended 31 December 2020 (2019: nil)
- The Chief Executive Officer's and executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.
- The emoluments of the non-executive directors and independent non-executive directors shown above were mainly for their services as Directors.
- There was no arrangement under which a director or the chief executive officer waived or agreed to waive any emoluments during the years ended 31 December 2019 and 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with highest emoluments in the Group, four (2019: four) were Directors, of which two were resigned as director and employed as staff, whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining one (2019: one) individual and emoluments of the former directors when employed as staff were as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	1,474	2,959
Performance related bonus	—	—
Share-based payment	—	966
Contributions to defined contribution plans	38	36
	<u>1,512</u>	<u>3,961</u>
Their emoluments were within the following bands:		
Nil to HK\$1,000,000	3	—
HK\$2,000,001 to HK\$3,000,000	—	3

Note:

No emolument was paid or payable by the Group to any of the Directors or the highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office during the year ended 31 December 2020 (2019: Nil).

14. INCOME TAX (CREDITS) EXPENSES

The amount of income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 HK\$'000	2019 HK\$'000
Current tax		
— Tax for the year	—	—
— Under-provision in respect of previous years	—	—
	<u>—</u>	<u>—</u>
Deferred tax (<i>note 33</i>)	(152)	11,352
Income tax (credits) expenses	<u>(152)</u>	<u>11,352</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. INCOME TAX (CREDITS) EXPENSES (Continued)

No provision has been made for Hong Kong Profits Tax as there are no assessable profits generated for both years.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

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

	2020 HK\$'000	2019 HK\$'000
Loss before income tax	(632,393)	(391,163)
Tax calculated at Hong Kong Profits Tax rate of 16.5%	(104,345)	(64,541)
Effect of different tax rates of subsidiaries operating in other jurisdictions	12,660	10,684
Tax effect of expenses not deductible for tax purpose	86,920	79,684
Tax effect of income not taxable for tax purpose	(11)	(16,956)
Tax effect of tax losses not recognised	4,252	2,430
Tax effect of other deductible temporary differences not recognised	1,568	832
Utilisation of tax losses previous not recognised	(1,196)	(781)
	<hr/> (152) <hr/>	<hr/> 11,352 <hr/>
Income tax (credits) expenses for the year	(152)	11,352

15. LOSS PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(632,240)	(402,514)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	4,250,013,330	4,199,456,946

The denominators used are the same as those detailed above for both basic and diluted loss per share.

During the years ended 31 December 2020 and 2019, diluted loss per share does not assume the exercise of the Company's share options as the exercise of the Company's share options would result in a decrease in loss per share, and is regarded as anti-dilutive for both years.

16. DIVIDEND

No dividend has been declared or proposed by the Directors in respect of the year ended 31 December 2020 (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Owned properties HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
At 1 January 2019	11,123	—	10,758	1,862	2,314	26,057
Exchange alignments	—	—	(11)	—	—	(11)
Additions	—	—	2,019	65	—	2,084
Transfer from investment properties	—	559	—	—	—	559
Disposals	—	—	(458)	(145)	(1,591)	(2,194)
At 31 December 2019 and 1 January 2020	11,123	559	12,308	1,782	723	26,495
Exchange alignments	—	31	683	67	40	821
Additions	—	—	—	32	—	32
Termination of leases	(11,123)	—	—	—	—	(11,123)
At 31 December 2020	—	590	12,991	1,881	763	16,225
Accumulated depreciation and impairment losses						
At 1 January 2019	1,965	—	9,198	1,186	1,723	14,072
Exchange alignments	—	—	123	—	—	123
Depreciation	3,887	—	511	189	248	4,835
Eliminated on disposals	—	—	(137)	(45)	(1,474)	(1,656)
At 31 December 2019 and 1 January 2020	5,852	—	9,695	1,330	497	17,374
Exchange alignments	—	—	628	104	28	760
Depreciation	3,129	—	595	161	140	4,025
Termination of leases	(8,981)	—	—	—	—	(8,981)
At 31 December 2020	—	—	10,918	1,595	665	13,178
Net book value						
At 31 December 2020	—	590	2,073	286	98	3,047
At 31 December 2019	5,271	559	2,613	452	226	9,121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. PROPERTY, PLANY AND EQUIPMENT (Continued)

The Group's leasehold land and buildings were valued at 31 December 2020 on a market value basis by qualified valuers from Greater China Appraisal Limited ("Greater China"), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the properties being valued. The revaluation surplus net of applicable deferred income taxes was credited to properties revaluation reserve.

The fair value of land and buildings is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	HK\$'000
At 1 January 2019 (level 3 recurring fair value)	—
Transfer from investment properties	<u>559</u>
At 31 December 2019 and 1 January 2020 (level 3 recurring fair value)	559
Exchange alignments	<u>31</u>
At 31 December 2020 (level 3 recurring fair value)	<u><u>590</u></u>

The fair value of properties held for own use was estimated using a market comparison approach. Fair values are based on prices for recent market transactions in similar properties with significant adjustments for differences in the location or condition of the Group's properties. These adjustments are based on unobservable inputs.

Significant unobservable inputs	Range
Market rent per month	RMB12 per square meter
Term yield	7.0% per annum
Reversionary yield	8.0% per annum

Higher market rent, term yield and reversionary yield will result in correspondingly lower fair values. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Had the revalued properties been measured on cost model, their net book value would have been HK\$453,000 (2019: HK\$559,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
Fair value		
At beginning of year	231,487	210,079
Change in fair value	(731)	22,890
Exchange alignments	14,089	(923)
Transfer to property, plant and equipment	—	(559)
	<u>244,845</u>	<u>231,487</u>
At end of the year	<u>244,845</u>	<u>231,487</u>
Represented by:		
Fair value		
Completed investment properties, in the PRC	148,706	145,353
Investment properties held under construction, in the PRC	96,139	86,134
	<u>244,845</u>	<u>231,487</u>

The Group's properties are either held to earn rental income or for capital appreciation purpose, are measured using fair value model and are classified and accounted for as investment properties.

At 31 December 2020, included in investment properties with a fair value of approximately HK\$49,731,000 (2019: HK\$52,351,000) for which the Group has not yet obtained the building ownership certificate. The Group is in the process of applying the building ownership certificate.

The fair value of the Group's investment properties at 31 December 2020 and 31 December 2019 were determined by the Directors with reference to the valuation report prepared by Norton Appraisals Holdings Limited ("Norton Appraisals") and Greater China, independent qualified professional valuers, based on the highest and best use approach.

The fair value measurements of the Group's investment properties have been categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The fair value of the investment properties as at 31 December 2020 is a level 3 (2019: level 3) recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. During the years ended 31 December 2020 and 2019, in respect of investment properties there were no transfers between level 1 and level 2, or transfers into or out of level 3.

The fair values of investment properties as at 31 December 2020 and 31 December 2019 were determined using direct comparison approach and investment method as appropriate. For investment properties determined by the direct comparison approach, recent market information about prices for comparable properties was used with significant adjustments for any differences in the characteristics of the Group's properties. For investment properties determined using the investment method, account was taken of the current passing rent and the reversionary income potential of the investment properties where applicable.

Fair value adjustment of investment properties is recognised in the line item "fair value (losses) gains on investment properties" on the face of the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. INVESTMENT PROPERTIES (Continued)

Details about the valuation inputs for 31 December 2020 and 31 December 2019 are as follows:

As at 31 December 2020

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Property held for further development	The PRC	3	Direct comparison method	Market selling price: RMB7,100 per square meter	The higher the market selling price, the higher the fair value
Retail shops — level 1	The PRC	3	Investment method	Market rent per month: RMB35 to RMB49 per square meter Term yield: 4.5% per annum Reversionary yield: 5.5% per annum	The higher the market rent, the higher the fair value The higher the term yield, the lower the fair value The higher the reversionary yield, the lower the fair value
Retail shops — level 2	The PRC	3	Investment method	Market rent per month: RMB12 per square meter Term yield: 7.0% per annum Reversionary yield: 8.0% per annum	The higher the market rent, the higher the fair value The higher the term yield, the lower the fair value The higher the reversionary yield, the lower the fair value
Car park space	The PRC	3	Direct comparison approach	Estimated market price per car park space: RMB135,000	The higher the market price, the higher the fair value
Residential properties	The PRC	3	Direct comparison approach	Estimated market price ranging from RMB5,400 to RMB5,600 per square meter	The higher the market price, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. INVESTMENT PROPERTIES (Continued)

As at 31 December 2019

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Property held for further development	The PRC	3	Direct comparison method	Market selling price: RMB6,800 per square meter	The higher the market selling price, the higher the fair value
Retail shops — level 1	The PRC	3	Investment method	Market rent per month: RMB35 to RMB49 per square meter Term yield: 4.5% per annum Reversionary yield: 5.5% per annum	The higher the market rent, the higher the fair value The higher the term yield, the lower the fair value The higher the reversionary yield, the lower the fair value
Retail shops — level 2	The PRC	3	Investment method	Market rent per month: RMB12 per square meter Term yield: 7.0% per annum Reversionary yield: 8.0% per annum	The higher the market rent, the higher the fair value The higher the term yield, the lower the fair value The higher the reversionary yield, the lower the fair value
Car park space	The PRC	3	Direct comparison approach	Estimated market price per car park space: RMB130,000	The higher the market price, the higher the fair value
Residential properties	The PRC	3	Direct comparison approach	Estimated market price ranging from RMB5,388 to RMB11,386 per square meter	The higher the market price, the higher the fair value

Property rental income earned during the year was HK\$2,776,000 (2019: HK\$2,551,000) and the related direct operating expenses were approximately HK\$372,000 (2019: HK\$325,000). The property held had committed tenants for 1 to 8 years (2019: 1 to 8 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. INTANGIBLE ASSETS

	SFC Licenses HK\$'000
Cost	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>4,472</u>
Accumulated amortisation	
At 1 January 2019	(3,934)
Amortisation	<u>(538)</u>
At 31 December 2019, 1 January 2020 and 31 December 2020	<u>(4,472)</u>
Net book value	
At 31 December 2020	<u>—</u>
At 31 December 2019	<u>—</u>

The intangible assets represent licenses of regulated activities issued by SFC for Type 4 "Advising on Securities" and Type 9 "Asset Management" acquired through acquisition of a subsidiary during the year ended 31 July 2016.

20. PRIOR YEAR ADJUSTMENTS

The Group held an interest in certain tree plantation operations situated in the Caraga region of Mindanao in the Philippines (the "Tree Plantation Operations") through equity investments.

These equity investments were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income on 1 January 2018 upon the adoption of HKFRS 9, Financial instruments. In the opinion of the Directors, they believe that the fair value of the Tree Plant Operations was HK\$Nil as at 31 December 2019 and that no realistic recovery of any value in the Tree Plantation Operations is presently likely or probable.

In evaluating the fair value of the Tree Plant Operations during the year ended 31 December 2020, the Directors reassessed the ownership and the carrying amount of these investments, and noted that the investment holding company of the Tree Plantation Operations, which was incorporated in the British Virgin Islands (the "BVI"), has been struck off under BVI Business Companies Act and removed from the companies registry of the BVI in 2019. The Group no longer held the ownership of the Tree Plantation Operations. As a result, these investments should be written off during the year ended 31 December 2019.

In evaluating the overall financial impact of the loss of ownership of the Tree Plantation Operations, as the reported fair value as at 31 December 2019 was zero, there is no financial impact and the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income are not restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

21. PROPERTIES HELD FOR SALE

	2020	2019
	HK\$'000	HK\$'000
Properties held for sale	<u>1,671</u>	<u>5,629</u>

Properties held for sale represent 6 (2019: 35) residential units located in Regal Garden, no. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, the PRC.

22. PROPERTIES UNDER DEVELOPMENT

	2020	2019
	HK\$'000	HK\$'000
Properties under development	<u>31,431</u>	<u>31,431</u>

As at 31 December 2020, the carrying amount of properties under development of HK\$31,431,000 (2019: HK\$31,431,000) represented the deemed cost of 169 identified units of properties ("Properties") which had been specifically set aside for the settlement of an outstanding construction fee payable in accordance with 清付工程款項協議書 dated 15 August 2005 ("Settlement Agreement") in prior years.

The deemed cost of the Properties of HK\$31,431,000 represents the RMB20,439,000 (equivalent to HK\$25,653,000) which has been stipulated in the Settlement Agreement and the Pledge Agreement (as defined below) and further subsequent construction costs of RMB4,603,000 (equivalent to HK\$5,778,000).

In addition to the Settlement Agreement, the Group has entered into another agreement 抵押還款協議書 dated 27 April 2006 ("Pledge Agreement") with 廣州市第四建築工程有限公司 (the "Contractor") to pledge the Properties as security. Under the two said Agreements, the Group and the Contractor mutually agreed to use the designated Properties to settle the outstanding balance. In conjunction with this settlement arrangement, both parties also mutually agreed the outstanding balance were to be settled without recourse, which in case the sales proceeds of the Properties exceeded the outstanding balance, the Group could not claim the extra proceeds received by the Contractor. Similarly, if the sales proceeds were insufficient to settle the amount owed to the Contractor, the Contractor agreed to waive the residual unpaid portion. In light of this particular clause, management considered that the significant risks and rewards of ownership of the Properties had been transferred to the Contractor when the two Agreements were signed. As a result, these properties under development and the corresponding liability were offset against each other and not separately recognised in the financial statements in prior years before the year ended 31 July 2013.

During the year ended 31 July 2013, the Group received a demand letter from the Contractor to claim the said outstanding balance, plus interest and an exact amount of RMB15,000,000 (equivalent to HK\$18,827,000) without any basis. Apart from the amount due to the Contractor of RMB25,042,000 (equivalent to HK\$31,431,000) which has been recognised by the Group as explained above, the Group saw no merit of the other claims by the Contractor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. PROPERTIES UNDER DEVELOPMENT *(Continued)*

During the years ended 31 July 2014, 2015, 2016, seventeen months ended 31 December 2017, years ended 31 December 2018, 2019 and 2020, the Contractor has not issued any further demand letters nor raised any formal proceedings against the Group to claim the outstanding amount.

During the year ended 31 July 2014, two individuals, 余盛 and 張明贊, raised litigations in the PRC against the Group (being the property developer), the Contractor (being the primary outsourcer), and another two companies (being the subcontractors of the primary outsourcer and being the direct outsourcers of the two individuals) to claim certain outstanding construction fees in relation to the Group's property development project. The PRC court ruled on this matter in December 2013 and concluded that the Contractor was liable to settle the principal amount of RMB3,198,013 (equivalent to HK\$4,017,536) and RMB3,961,291 (equivalent to HK\$4,976,411) plus overdue interest to 余盛 and 張明贊 respectively. The PRC court also concluded that the Group has a joint liability to settle the said principal amounts to 余盛 and 張明贊 to the extent that the amount is within the outstanding amount payable by the Group to the Contractor. All parties appealed against this judgement. However, the appeal was dismissed by the People's Intermediate Court in January 2015.

Following the result of the appeal, the Contractor made a further appeal to the Higher People's Court of Guangdong Province (廣東省高級人民法院) against the judgement of the appeal, but the result of the further appeal is still outstanding at the date of approval of these financial statements.

In July 2015, the Higher People's Court of Guangdong Province (廣東省高級人民法院) granted leave for a retrial and suspended execution of orders previously made against the Contractor and Shunde China Rich Properties Limited ("Shunde China Rich"), a wholly-owned PRC subsidiary of the Group, by which dealings in respect of the Properties and credit standing in three bank accounts of Shunde China Rich has been frozen pending settlement of the litigations with 余盛 and 張明贊. As at 31 July 2015, the balance in the three bank accounts of Shunde China Rich were approximately RMB586,000 (equivalent to HK\$730,000). These bank balances were accordingly reclassified as "restricted bank balances" in the Group's consolidated statement of financial position at 31 July 2015. During the year ended 31 July 2016, the restrictions over these bank accounts were released by the Higher People's Court of Guangdong Province (廣東省高級人民法院) and the cash held in these accounts may be freely used by the Group.

On 29 March 2018, the PRC court concluded that the Group and its former PRC contractor was liable to pay the outstanding construction fees and such claims were paid by the former contractor to the plaintiffs. The legal proceedings between the Group and the plaintiffs were settled.

In view of the dispute and the uncertainty in enforcing the settlement arrangement under both Agreements, management considers it is appropriate to separately recognise the Properties and the corresponding liabilities since 31 July 2013 as the previous offset arrangement may no longer be achievable.

As at the reporting date, registration of the authentic rights (確權) of these Properties have not yet been completed as the Contractor has failed to provide the Group with the certain necessary supporting documents to complete the registration process and obtain the authentic rights (確權). Without the authentic rights, these Properties cannot be sold or transferred with proper/legal title in the PRC. Accordingly, these Properties were classified as properties under development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. PROPERTIES UNDER DEVELOPMENT *(Continued)*

As at 31 December 2020, the fair value of the Properties was estimated to be approximately HK\$122,322,000 (2019: HK\$117,231,000) with reference to a valuation report issued by Greater China (2019: Greater China), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the properties being valued. Accordingly, the Directors consider that the future realised value of the property under development is higher than the accrual construction fee payable as explained in note 28.

23. LOAN RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Loan receivables	252,792	252,792
Less: Impairment allowances	<u>(218,665)</u>	<u>(139,022)</u>
	<u>34,127</u>	<u>113,770</u>

During the year ended 31 December 2020, impairment loss on loan receivables of HK\$79,643,000 is recognised by the management based on independent valuation report.

The Group's loan receivables, which arise from the money lending business of providing corporate loans in Hong Kong and the PRC.

As at 31 December 2020 and 2019, certain loan receivables are secured by collaterals or personal guarantee, bear interest ranging from 10%–15% per annum.

Loan receivables are repayable with fixed terms agreed with the Group's customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23. LOAN RECEIVABLES (Continued)

Included in the loan receivables (net of impairment losses) with the following ageing analysis, based on draw down dates, at the end of reporting period:

	2020 HK\$'000	2019 HK\$'000
More than 3 months	<u>34,127</u>	<u>113,770</u>

Details of the loan receivables and the impairment allowances are as follows:

	2020			2019		
	Gross loan receivables HK\$'000	Allowances HK\$'000	Carrying value HK\$000	Gross loan receivables HK\$'000	Allowances HK\$'000	Carrying value HK\$000
Loan receivables portfolio by security						
— Secured	15,000	(12,975)	2,025	15,000	(826)	14,174
— Unsecured	<u>237,792</u>	<u>(205,690)</u>	<u>32,102</u>	<u>237,792</u>	<u>(138,196)</u>	<u>99,596</u>
	<u>252,792</u>	<u>(218,665)</u>	<u>34,127</u>	<u>252,792</u>	<u>(139,022)</u>	<u>113,770</u>
Maturity profile of loan receivables portfolio						
Overdue Secured:						
— Overdue from 6 months to 1 year	—	—	—	15,000	(826)	14,174
— Over more than 1 year	<u>15,000</u>	<u>(12,975)</u>	<u>2,025</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>15,000</u>	<u>(12,975)</u>	<u>2,025</u>	<u>15,000</u>	<u>(826)</u>	<u>14,174</u>
Unsecured:						
— Overdue from 1 day to 3 months	—	—	—	12,351	(4,331)	8,020
— Overdue from 6 months to 1 year	—	—	—	107,083	(69,304)	37,779
— Overdue more than 1 year	<u>237,792</u>	<u>(205,690)</u>	<u>32,102</u>	<u>113,373</u>	<u>(64,367)</u>	<u>49,006</u>
	<u>237,792</u>	<u>(205,690)</u>	<u>32,102</u>	<u>232,807</u>	<u>(138,002)</u>	<u>94,805</u>
	<u>252,792</u>	<u>(218,665)</u>	<u>34,127</u>	<u>247,807</u>	<u>(138,828)</u>	<u>108,979</u>
Not yet overdue						
— Unsecured	—	—	—	4,985	(194)	4,791
	<u>252,792</u>	<u>(218,665)</u>	<u>34,127</u>	<u>252,792</u>	<u>(139,022)</u>	<u>113,770</u>

The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan receivables mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23. LOAN RECEIVABLES *(Continued)*

As at 31 December 2020, the Group's overdue secured loan receivables amounted to HK\$15,000,000 (2019: HK\$15,000,000), net of the allowances of HK\$12,975,000 (2019: HK\$826,000) and the related interest income receivable of HK\$1,574,000 (2019: HK\$1,574,000), net of the allowances of HK\$1,362,000 (2019: HK\$87,000). The amount was overdue for more than 1 year (2019: 180 days).

As at 31 December 2020 and 2019, for secured loan receivables, in the opinion of the Directors, the fair value of the collaterals approximate to the carrying amounts of the loan receivables. The Directors performed a fair value assessment of the collateral of the secured loan receivables. The fair value assessment has adopted certain key inputs and assumptions in respect of the fair value assessment, including but not limited to (1) the fair value of the collateral assets; (2) the future cash flow of the collateral assets; and (3) other key assumptions adopted in the fair value assessment. In the opinion of the Directors, the fair value based on the best estimate of the Directors to the best available financial and other information.

As at 31 December 2020, the Group's overdue unsecured loan receivables amounted to HK\$237,792,000 (2019: HK\$232,807,000), net of the allowances of HK\$205,690,000 (2019: HK\$138,002,000) and the related interest receivable of HK\$32,609,000 (2019: HK\$32,609,000), net of the allowances of HK\$28,207,000 (2019: HK\$15,988,000). Most of them were overdue for more than 1 year (2019: 180 days).

Pursuant to the Company's accounting policy, the Group recognises loss allowances for expected credit loss ("ECL") on loan and related interest receivables. The ECLs are measured on either of the following bases: (i) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The Group considers a financial asset to be credit-impaired when: (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 180 days past due.

The Directors performed an assessment on the allowances for ECL on loan and related interest receivables with reference to the valuation report prepared by a qualified independent valuer. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate. The Group measures loss allowances for trade receivables and loan receivables using the simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment in according to the accounting policy of the Company. The assessment of the ECL for loan receivables and interest receivables has adopted certain key inputs and assumptions in respect of the ECL assessment, including but not limited to (i) the amount would be recovered from the borrowers; (ii) the future cash flow, if any; and (iii) other key assumptions adopted in the ECL assessment etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23. LOAN RECEIVABLES (Continued)

The Directors are currently reviewing the alternatives to recover the loan and interest receivables, including but not limit to dispose of the loan and interest receivables to third parties or to negotiate loans restructure with the borrowers (collectively referred to as the "Loan Restructuring Plan"). However, as at 31 December 2020 and up to the date of approval of these consolidated financial statements, the Loan Restructuring Plan has not yet been finalised. In view of this uncertainty, the Directors are unable to reasonably assess the borrowers' ability to repay the debts in the near future. The validity of ECL assessment on loan and interest receivables depends on the outcome of certain factors, including (i) the borrowers' ability to repay the debts; and (ii) the successful of Loan Restructuring Plan.

Based on the independence valuation report, the Group recognised impairment losses of HK\$91,862,000 (2019: HK\$151,870,000) on the outstanding loan and interest income receivables for the year. The movements in the allowance for impairment in respect of loan receivables and interest income receivables were as follows:

	Impairment loss allowances for		
	Loan	Interest income	
	receivables	receivables	Total
	(note 24)	(note 24)	
	HK\$'000	HK\$'000	HK\$000
At 1 January 2019	3,214	—	3,214
Impairment loss recognised during the year	135,874	15,996	151,870
Exchange alignments	(66)	(8)	(74)
At 31 December 2019 and 1 January 2020	139,022	15,988	155,010
Impairment loss recognised during the year	79,643	12,219	91,862
At 31 December 2020	218,665	28,207	246,872

In the opinion of the Directors, the carrying amount of the loan receivables approximate to their fair values due to the short-term maturities.

Further details on the Group's credit policy are set out in note 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

24. TRADE AND OTHER RECEIVABLES

	Notes	2020 HK\$'000	2019 HK\$'000
Trade receivables arising from license and financial service business	(i)	—	795
Trade receivables arising from sales of properties held for sales	(ii)	1,468	3,230
Investment income receivable arising from financial assets investments (see note 26)			
— Debt Securities, unlisted	(iii)	14,953	34,509
Interest receivable arising from loan receivables (see note 23)	(iv)	4,402	16,621
Amount due from a non-controlling shareholder of a subsidiary of the Group	(v)	—	4,900
Amount due from a related party	(vi)	—	110
Other receivables		—	1
		20,823	60,166

	2020			2019		
	Gross amounts HK\$'000	Impairment loss allowances HK\$'000	Carry amounts HK\$000	Gross amounts HK\$'000	Impairment loss allowances HK\$'000	Carry amounts HK\$000
Trade receivables arising from license and financial service business	—	—	—	41,339	(40,544)	795
Trade receivables arising from sales of properties held for sales	1,468	—	1,468	3,432	(202)	3,230
Investment income receivable arising from financial assets investments						
— Convertible bonds, unlisted	25,787	(25,787)	—	25,787	(25,787)	—
— Debt Securities, unlisted	110,762	(95,809)	14,953	110,762	(76,253)	34,509
Interest receivable arising from loan receivables	32,609	(28,207)	4,402	32,609	(15,988)	16,621
Amount due from a non-controlling shareholder of a subsidiary of the Group	—	—	—	4,900	—	4,900
Amount due from a related party	—	—	—	110	—	110
Other receivables	—	—	—	1	—	1
	170,626	(149,803)	20,823	218,940	(158,774)	60,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

24. TRADE AND OTHER RECEIVABLES (Continued)

The Group and the Company recognised impairment loss based on the accounting policy stated in note 4(h)(ii). Further details on the Group's credit policy are set out in note 44.

Notes:

- (i) Trade receivables arising from license and financial service business

An ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
90–365 days	—	795

The Group does not hold any collateral or other credit enhancements over the trade receivables.

- (ii) Trade receivables arising from sales of properties held for sales

An ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
0–90 days	1,468	2,697
90–365 days	—	533
	<u>1,468</u>	<u>3,230</u>

The Group does not hold any collateral or other credit enhancements over the trade receivables.

- (iii) Investment income receivable arising from Debt Securities

During the year ended 31 December 2020, based on independence valuation reports, the Group has recognised impairment loss in respect of investment income receivables of HK\$19,556,000.

- (iv) Interest receivable arising from loan receivables

As at 31 December 2020 and 2019, except for HK\$1,487,000 which the Group held collaterals and HK\$36,000 was unsecured and not yet overdue, the remaining balances were unsecured and overdue.

- (v) Amount due from a non-controlling shareholder of a subsidiary of the Group

The amount was unsecured, interest-free and repayable on demand.

- (vi) Amount due from a related party

The amount due from a related party bears interest at 10% per annum and was unsecured and repayable on demand.

All of the trade and other receivables are expected to be recovered within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25. DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Deposits paid	1,825	1,776
Prepayments	550	435
	<u>2,375</u>	<u>2,211</u>

None of the above asset is either past due nor impaired.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2020 HK\$'000	2019 HK\$'000
HK listed equity securities	(i)	—	56
Convertible bond, unlisted	(ii)	—	—
Debt Securities, unlisted	(iii)	90,591	499,849
		<u>90,591</u>	<u>499,905</u>

Notes:

- (i) HK listed equity securities

The amount are Hong Kong listed equity securities which are measured at quoted prices in active markets.

- (ii) Convertible bond, unlisted

As at 31 December 2020, the Group held the convertible bond (the "Convertible Bond") through one investment fund which managed by independent general partner/manager. Details of the convertible bond are as follows:

Name of fund	General partner/ manager	Investment to the fund <i>HK\$' million</i>	Management fee	Term of investment	% of fund held	Name of underlying investment companies	Beneficial owner of underlying investment companies	Major business of underlying investment	Status of the investment	2020 HK\$'000	2019 HK\$'000
Forward Fund SPC	Full House Asset Management Company Limited	130.15	0.3% per annum of the aggregated commitment	2 years	100%	China Ocean Industry Group Limited	Please refer to relevant information announced in its annual report of 2018	Steel structure engineering and installation, intelligent parking, automobile and electronic business	(note below)	—	—

Note: Pursuant to the relevant convertible bond agreements, the Convertible Bond of HK\$80,000,000 and HK\$49,000,000 were matured on 10 November 2019 and 31 December 2019, respectively. As at 31 December 2020 and 2019 and up to the date of approval of these consolidated financial statements, pursuant to the relevant debt securities agreements, the related investment income receivables arising from financial assets investment was overdue and the borrowers committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective debt securities agreements entered into by the unlisted companies and the borrowers. Accordingly, the entire Convertible Bond and investment income receivable are repayment on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes: (Continued)

(ii) Convertible bond, unlisted (Continued)

Details of the movements of the Convertible Bond were as following:

	HK\$'000
Carrying values as at 1 January 2019	124,430
Changes in fair value during the year	<u>(124,430)</u>
Carrying values as at 31 December 2019, 1 January 2020 and 31 December 2020	<u><u>—</u></u>

Through the investment fund of "Forward Fund SPC", the Group invested in two-year Convertible Bond issued by the China Ocean Industry Group Limited ("China Ocean") (the "Convertible Bond"), a company listed on the Stock Exchange (the Stock code: 651) with a subscription amount of HK\$129,000,000. The Convertible Bond carry an interest of 10% per annum, payable annually in arrears. If the Convertible Bond has not been converted before the maturity date, they will be redeemed on maturity date at principal amount plus the accrued interest. Immediately after full conversion of the Convertible Bond at the conversion price of HK\$0.070 per share, the number of conversion shares of the Group will account for approximately 11.28% of the total number of shares of the China Ocean as enlarged by the allotment and issue of conversion shares (assuming there is no other change in the share capital of the China Ocean).

Based on the interim report of China Ocean for the six months ended 30 June 2020, the loss for the period attributable to owners of the company amounted to HK\$134,439,000, the net current liabilities amounted to HK\$3,626,882,000 and the deficiency of shareholders' equity attributable to the owners of the Company amounted to HK\$3,539,910,000.

With reference to the announcements of China Ocean dated 5 August 2019, 28 August 2019, 23 September 2019, 25 September 2019, 27 September 2019, 20 November 2019, 11 December 2019, 16 December 2019, 31 December 2019, 12 January 2020, 17 January 2020, 20 January 2020, 3 February 2020, 20 March 2020, 25 March 2020, 27 March 2020, 31 March 2020, 19 June 2020, 5 October 2020, 11 January 2021, 30 March 2021 and 26 April 2021, China Ocean received a petition from a creditor in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region under Companies Winding-up Proceedings No. 230 of 2019 (the "Petition"). As at 31 December 2020 and up to the date of approval of these consolidated financial statements, the Petition has not yet been finalised. The Convertible Bond overdue was on 10 November 2019 and thus, the Convertible Bond are repayment on demand.

The Convertible Bond was recognised as financial assets at fair value through profit or loss. Since China Ocean is during the winding-up process and the deficiency of shareholders' equity attributable to the owners of the Company amounted to HK\$3,539,910,000 (2019: HK\$2,711,944,000), based on the interim report of China Ocean for the six months ended 30 June 2020. In view of the circumstances as mentioned above, the management of the Company consider that the value of the Convertible Bond was nil as at 31 December 2020 and 2019 and that no realistic recovery of any value in the Convertible Bond from China Ocean is presently likely or probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Notes: (Continued)

(iii) Debt Securities, unlisted

As at 31 December 2020, the Group held the debt securities (the "Debt Securities") through four investment funds which managed by independent general partner/manager and details of which are as follows:

Name of fund	General partner/ manager	Investment to the fund <i>HK\$ million</i>	Management fee	Term of investment	% of fund held	Name of underlying investment companies	Beneficial owner of underlying investment companies	Major business of underlying investment	Status	2020 HK\$'000	2019 HK\$'000
Wealth Creation Special Opportunities Fund LP	OBOR Fund Management Limited	100.00	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)	100%	Baton Investment Limited	Ma Zufeng	Investment, mining investment	(note below)	17,550	102,118
Partners Tian Wei Fund	Pearl River Capital Limited, transferred from Partners Investment Management Limited on 29 October 2019	140.00	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)	100%	Star Keen Investment Limited	Lin Xiaosheng	Investment management	(note below)	22,827	136,886
Bison Target Investment SPC — BOCI Fund Income Focused Growth SP	BTS Investment Limited	136.50 (USD17.50)	0.5% per annum of the aggregated commitment	3 years (may extend for another 2 years)	100%	Fen River Capital Limited	Huang Zhengqiong	Real estate investment, high-tech investment	(note below)	24,911	130,746
Nan Tai Investment LP	Nan Tai Investment Limited	140.00	0.5% per annum of the aggregated commitment	2 years, extended for another 1 year	100%	Huatune International Group Limited	Qian Baohua	Industrial investment, chemical industry and trading	(note below)	25,303	130,099
										90,591	499,849

Note: As at 31 December 2020 and up to the date of approval of these consolidated financial statements, pursuant to the relevant debt securities agreements, the related investment income receivables arising from financial assets investment was overdue and the borrowers committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective debt securities agreements entered into by the unlisted companies and the borrowers. Accordingly, the entire Debt Securities and investment income receivable are repayment on demand.

Details of the movements of the Debt Securities were as follows:

	HK\$'000
Carrying values as at 1 January 2019	512,759
Changes in fair value during the year	(12,759)
Exchange alignments	(151)
Carrying values as at 31 December 2019 and 1 January 2020	499,849
Changes in fair value during the year	(409,258)
Carrying values as at 31 December 2020	90,591

As at 31 December 2020, the related investment income receivables relating to the Debt Securities were of HK\$110,762,000 (2019: HK\$110,762,000), net of allowances of HK\$95,809,000 (2019: HK\$76,253,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(iii) Debt Securities, unlisted *(Continued)*

The Directors have been undertaking a number of measures to recover the Debt Securities and investment income receivables, including but not limit to dispose of the Debt Securities to third parties or to negotiate debts restructure with the borrowers (collectively referred to as the “Debt Securities Restructuring Plan”). However, as at 31 December 2020 and up to the date of approval of these consolidated financial statements, the Debt Securities Restructuring Plan has not yet been finalised. Accordingly, the Directors are unable to assess the borrowers’ ability to repay the debts in the near future.

The Group recognised a fair value loss on the Debt Securities of approximately HK\$409,258,000 (2019: HK\$12,759,000) and ECL on investment income receivables of HK\$19,556,000 (2019: HK\$76,253,000) for the year based on independence valuation reports.

The Directors performed an assessment on the fair value of the Debt Securities with reference to the valuation report prepared by a qualified independent valuer. The fair value valuation and ECL assessment have adopted certain key assumption provided by the management of the Company, including but not limited to the validity of the cash flow projection, the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) etc. The validity of fair value valuation of the Debt Securities and ECL assessment of the investment income receivables depends on the outcome of certain factors, including but not limited to (i) the borrowers’ ability to repay the debts; and (ii) the successful of Debt Securities Restructuring Plan.

The management of the Company consider that the information used in the above valuation and assessment represented the best available estimates from the information available despite of lack of the current financial and other information of the borrowers.

27. CASH AND CASH EQUIVALENTS

	2020	2019
	HK\$’000	HK\$’000
Cash and cash equivalents	<u><u>5</u></u>	<u><u>1,439</u></u>

As at 31 December 2020, cash and cash equivalents of the Group included currencies denominated in RMB amounting to approximately HK\$5,000 (2019: HK\$577,000) which is not freely convertible into other currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Construction fee payable (<i>note</i>)	28,733	28,733
Other payable	15,132	10,586
	<u>43,865</u>	<u>39,319</u>

The aging analysis of trade payables at the end of the reporting period, based on invoice date, is as follows:

Over 365 days	<u>28,733</u>	<u>28,733</u>
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Note: The balances represented outstanding construction fee in dispute, further details of which are set out in note 22.

29. ACCRUALS

	2020 HK\$'000	2019 HK\$'000
Accrued salaries and bonus	26,719	10,239
Accrued interest payables in respect of:	199,390	113,295
— Huarong Loan (<i>see note 31 (i)</i>)	115,732	77,853
— RMB Loan (<i>see note 31 (ii)</i>)	8,271	3,890
— Senior Notes (<i>see note 32</i>)	72,061	28,833
— Loan from Linshan Limited (<i>see note 30</i>)	3,218	2,686
— Others	108	33
Deposits received	992	992
Others	3,686	3,417
	<u>230,787</u>	<u>127,943</u>

All the accruals are repayable on demand. As explain in notes 30, 31 and 32, the Group did not make the scheduled interest payment. Other than this, all of the accruals are expected to be settled within one year.

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For the year ended 31 December 2020

30. LOAN FROM A FORMER SHAREHOLDER

	2020 HK\$'000	2019 HK\$'000
Loan from a former shareholder, Linshan Limited	<u>49,598</u>	<u>49,598</u>

The loan from Linshan Limited ("Linshan") is unsecured and bears interest at the rate of 1% (2019: 1%) per annum.

During the year ended 31 July 2011, a shareholder's loan amounting to approximately HK\$40,000,000 was granted to the Group by Corporate King Limited ("Corporate King"), a former corporate substantial shareholders of the Company. Mr. CT Tan, a former Chairman and former Executive Director of the Company is the controlling shareholder of Corporate King.

During the year ended 31 July 2013, an assignment of deed was entered into between Linshan, a former substantial shareholder of the Company, and Corporate King such that the shareholder's loan with accrued interest amounting to approximately HK\$49,891,000 as at 31 July 2013 was assigned from Corporate King to Linshan. Linshan is wholly owned by Mr. Shannon Tan Siang-Tau ("Mr. S Tan"), a former Executive Director of the Company and the son of Mr. CT Tan, a former Chairman and former Executive Director of the Company.

The loan from Linshan was due for repayment on 31 December 2014, and in January 2015, the Group received a demand letter from Linshan for the settlement of the outstanding loan and accrued interest thereon.

Mr. S Tan and Mr. CT Tan were both key members of the management team of the Group's former Tree Plantation Operations in the Philippines, details of which are set out in note 20. The Group has been highly dissatisfied with the performance, behaviour and misrepresentations of this management team, as the Tree Plantation Operations were a total failure and has since been fully written off and abandoned by the Group during the year ended 31 July 2014. On 28 October 2014, a criminal action for misappropriation of certain funds and falsification of documents was filed in the Philippines against Ms. De Guzman, another key member of the management team and the majority equity rights holder of these Tree Plantation Operations. In around May 2016, a warrant for the arrest of Ms. De Guzman was issued by the Regional Trial Court of Makati City. Ms. De Guzman subsequently filed a Motion for Reconsideration to dismiss the complaint raised against her. In June 2016 the Court denied Ms. De Guzman's motion and an arrest warrant was issued against her. Although several attempts have been made to serve the arrest warrant on Ms. De Guzman, none have been successful up to the date these financial statements were approved.

Since then, the Group is contemplating similar measures/actions against Mr. S Tan and Mr. CT Tan, and until that situation has been resolved, the Group has no intention of settling the loan and interest due to Linshan.

On 7 May 2020, Linshan filed in the High Court to demand for the settlement of the outstanding loan and accrued interest. Till to 31 December 2020 and up to the approval of these consolidated financial statements, there were no development of the loan from the former shareholder.

Up to 31 December 2020, the Group's interest expenses payable to Linshan was HK\$3,218,000 (2019: HK\$2,686,000) (details are set out in note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. OTHER BORROWINGS

		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
Other borrowings:			
— Huarong loan	<i>(i)</i>	390,506	390,506
— RMB Loan	<i>(ii)</i>	28,927	27,406
— HK\$ Loan	<i>(iii)</i>	500	500
		419,933	418,412

Notes:

(i) Huarong Loan

Pursuant to the Company's announcement dated 7 November 2017, on 7 November 2017, China Huarong International Holdings Limited ("Huarong") entered into a facility agreement (the "Huarong Loan Agreement") with the Company, Long Chang International Group Co., Limited and China Gem Financial Group Limited (China Gem Financial Group Limited is a substantial shareholder of the Company) in relation to a 9.7% per annum five year loan facility in an aggregate principal amount of up to US\$60,000,000 (the "Huarong Facility").

The purpose of the Huarong Facility is for funding the general working capital of the Company and its subsidiaries. The borrowers are the Company and Long Chang International Group Co., Limited (both are collectively referred to as the "Borrowers") and the Huarong Facility was secured by corporate guarantee provided by China Gem Financial Group Limited.

On 8 November 2017, the Group had drawn down of US\$26,000,000 and the maturity date of the first drawn down loan will be on 7 November 2022, five years subsequent to the drawn down. On 10 November 2017, the Group had drawn down of US\$24,000,000 and the maturity date of the second drawn down loan will be on 9 November 2022, five years subsequent to the drawn down.

As at 31 December 2020, the aggregate loan balance was US\$50,000,000 (equivalent to approximately HK\$390,506,000) (2019: US\$50,000,000, equivalent to approximately HK\$390,506,000) (the "Huarong Loan") and the accrued interest payable was HK\$115,732,000 (2019: HK\$77,853,000) (details are set out in note 29).

Pursuant to the Huarong Loan Agreement, the borrowing is subject to the fulfilment of covenant relating to certain ratio of the Group's financial position ratio which is commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities would become repayable on demand. Further, the Huarong Loan Agreement imposes a covenant that the Borrowers are required to pay the interest in accordance with the schedule as specified in the Huarong Loan Agreement. Otherwise, Huarong has the right to declare the Huarong Facility to be cancelled and/or all or part of outstanding amounts under the Huarong Facility, together with accrued interest and all other sums that would become repayable on demand.

Pursuant to notice issued by Huarong to the Company on 25 September 2019, Huarong transferred the Huarong Loan to its wholly-owned subsidiary, Pure Virtue Enterprises Limited.

Since 2018, the Group did not make the scheduled interest payment. Accordingly, pursuant to the relevant clauses of Huarong Loan Agreement, the Huarong Loan and the accrued interest payment are repayable on demand. Thus, the entire Huarong Loan was classified as current liability as at 31 December 2019 and 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. OTHER BORROWINGS (Continued)

Notes: (Continued)

(ii) RMB Loan

On 19 April 2018, 中石百納(深圳)股權投資管理有限公司, a wholly-owned subsidiary of the Company entered into a facility agreement (the "RMB Loan Agreement") with a PRC Entity ("RMB Loan Lender") in relation to a 9% per annum 90 days loan facility in an aggregate principal amount of up to RMB32,000,000 (the "RMB Loan Facility"). RMB Loan Facility was secured by personal guarantee provided by two former directors of the Company.

Pursuant to the first loan extension agreement on 24 July 2018, the maturity of the RMB Loan Facility was extended to 16 December 2018 and thus the interest rate was increased from 9% to 14%. In addition, pursuant to the second extension agreement on 16 December 2018, the maturity of the RMB Loan Facility was further extended to 16 December 2019. However, the Group did not make the scheduled principal and interest payment. Accordingly, pursuant to the relevant clauses of the RMB Loan Agreement and the subsequent extension agreements, the RMB Loan, the accrued interest and the other sums of payable, if any, are repayable on demand.

As at 31 December 2020, the outstanding loan balance was RMB24,500,000 (equivalent to approximately HK\$28,927,000) (2019: RMB24,500,000, equivalent to approximately HK\$27,406,000) (the "RMB Loan") and the accrued interest payable was HK\$8,271,000 (2019: HK\$3,890,000) (details are set out in note 29).

(iii) HK\$ Loan

Pursuant to the loan facility agreement between Double Management Fund SP Of Forward Fund SPC, a wholly-owned subsidiary of the Company and the general partner of Forward Fund SPC, Leader SP Of Forward Fund SPC, in relating to a loan facility of HK\$500,000, the interest rate was 5% per annum from 10 May 2019 to 31 August 2019 and the interest rate was increased to 15% from 1 September 2019.

As at 31 December 2020 and 2019, the outstanding loan balances was HK\$500,000, which is non-secured and repayable on demand.

As at 31 December 2020 and up to the date of approval of these consolidated financial statements, the Group has not received any requests from the lenders of the Huarong Loan and RMB Loan to settle any outstanding amounts due to them. The management of the Company is ongoing to negotiate and convince the lenders of the Huarong Loan and RMB Loan not to exercise their contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the directors, there is no indication that the lenders have any current intention to exercise their right to demand immediate repayment thereon.

32. SENIOR NOTES

	2020 HK\$'000	2019 HK\$'000
Senior Notes	<u>179,967</u>	<u>179,967</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32. SENIOR NOTES *(Continued)*

Pursuant to the Company's announcements on 3 November 2017 and 6 November 2017, the Company, as the note issuer, entered into a note purchase agreement (the "Senior Note Agreement") with Prosper Talent Limited (the "Investor"), a wholly-owned subsidiary of CCB International (Holdings) Limited in relation to two-year notes in an aggregate principal amount of up to HK\$180,000,000 (the "Senior Notes"). The purpose of the Senior Notes is for funding the general working capital of the Company and its subsidiaries and project investments. The Senior Notes are repayable on the maturity date falling immediately before the second anniversary of the date of issue of the Senior Notes.

Pursuant to terms and conditions of the Senior Notes Agreement, China Gem Financial Group Limited ("CG Financial"), a substantial shareholder of the Company, is required to charge certain ordinary shares of the Company in favour of the Investor as security for the Senior Notes.

On 6 November 2017, an 8% per annum two-year note in the principal amount of HK\$90,000,000 was issued to the Investor with the maturity date on 5 November 2019. On 5 December 2017, the Company further issued an 8% per annum two-year note in the principal amount of HK\$90,000,000 to the Investor with the maturity date on 4 December 2019.

In view of the Group did not make the scheduled principal and interest payment and accordingly, pursuant to the relevant clauses of the Senior Note Agreement, the Senior Notes and the related accrued interest are repayable on demand.

As at 31 December 2020, the outstanding Senior Notes balances were HK\$179,967,000 (2019: HK\$179,967,000) and the accrued interest payable was HK\$72,061,000 (2019: HK\$28,833,000) (details are set out in note 29).

As at 31 December 2020 and up to the date of approval of these consolidated financial statements, the Group has not received any requests from the Investor of the Senior Notes to settle any outstanding amounts due to the Investor. The management of the Company is ongoing to negotiate and convince the Investor of the Senior Notes not to exercise its contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the directors, there is no indication that the Investor has any current intention to exercise its right to demand immediate repayment thereon.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. DEFERRED TAX LIABILITIES

	Revaluation of investment properties HK\$'000
At 1 January 2019	26,678
Exchange alignments	(625)
Charge to profit or loss (<i>note 14</i>)	<u>11,352</u>
At 31 December 2019 and 1 January 2020	37,405
Exchange alignments	2,596
Credited to profit or loss (<i>note 14</i>)	<u>(152)</u>
At 31 December 2020	<u>39,849</u>

At 31 December 2020, the Group has estimated unused tax losses of HK\$161,742,000 (2019: HK\$135,972,000) available for offsetting against future profits, which are subject to the agreement of the relevant tax authorities. Included in the estimated unused tax losses, HK\$154,692,000 (2019: HK\$128,922,000) can be carried forward indefinitely and HK\$4,352,000 (2019: HK\$7,050,000) will expire in one to five years. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

34. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares		
At 1 January 2019	4,135,373,330	41,354
Issue of shares upon exercise of share option (<i>note</i>)	<u>114,640,000</u>	<u>1,146</u>
At 31 December 2019, 1 January 2020 and 31 December 2020	<u><u>4,250,013,330</u></u>	<u><u>42,500</u></u>

Note: During the year ended 31 December 2019, 114,640,000 ordinary shares were issued upon exercise of a total 114,640,000 share options at exercise price HK\$0.108 per share, giving rise to aggregate net proceeds of approximately HK\$12,380,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

35. LEASES

Nature of leasing activities (in the capacity as lessee)

During the year ended 31 December 2019, the Group leased four properties in Hong Kong which the payments were fixed over the lease terms. One of the leases was terminated before 31 December 2019 and was classified as short-term lease.

During the year ended 31 December 2020, the Group leased three properties in Hong Kong which the payments were fixed over the lease terms. All of the leases were either expired or terminated before 31 December 2020.

Right-of-use Assets

	2020 HK\$'000	2019 HK\$'000
Ownership interests in leasehold land and buildings, carried at fair value with remaining lease term of:		
— 50 years or more	590	340
Other properties leased for own use, carried at depreciated cost	—	5,271
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of 50 years or more	<u>244,845</u>	<u>231,487</u>

Lease liabilities

Future lease payments are due as follows:

As at 31 December 2019	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
Not later than one year	4,469	420	4,049
Later than one year and not later than two years	1,704	147	1,557
Later than two years and not later than five years	<u>600</u>	<u>21</u>	<u>579</u>
	<u>6,773</u>	<u>588</u>	<u>6,185</u>

Operating leases — lessor

Certain properties may have been vacated prior to the end of the lease term. Where possible the Group always endeavours to sub-lease such vacant space on short-term lets. An onerous provision is recognised where the rents receivable over the lease term are less than the obligation to the head lessor. The Group's investment property is also leased to a number of tenants for varying terms. The sub-lease rental income during the year ended 31 December 2020 was HK\$2,776,000 (2019: HK\$2,551,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. LEASES (Continued)

Operating leases — lessor (Continued)

The minimum rent receivables under non-cancellable operating leases are as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	493	1,230
After 1 year but within 2 years	360	1,064
After 2 years but within 3 years	312	986
After 3 years but within 4 years	360	866
After 4 years but within 5 years	344	740
After 5 years	99	14
	<u>1,968</u>	<u>4,900</u>

36. SHARE BASED PAYMENT

On 28 July 2010, the Company passed an ordinary resolution regarding the termination of the old share option scheme and adopted a new share option scheme (the "New Scheme") for the primary purpose of providing incentive to the eligible employees and Directors. Under the terms of the New Scheme, the board of Directors may, at their discretion, grant options to the participants who fall within the definition prescribed in the New Scheme including the employees and Executive Directors of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the Offer Date; (ii) the average closing price of the Shares as stated the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding to the Offer Date; and (iii) the nominal value of the shares. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% (2019: 1%) of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders. Options granted under the New Scheme will entitle the holder to subscribe for shares from the date of grant up to ten years from the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

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For the year ended 31 December 2020

36. SHARE BASED PAYMENT (Continued)

The following share options were outstanding under the scheme during the year:

	Average exercise price 2020	Number 2020	Average exercise price 2019	Number 2019
Outstanding at beginning of the year	HK\$0.108	92,060,000	HK\$0.108	248,040,000
Granted during the year	—	—	—	—
Exercised during the year	—	—	HK\$0.108	(114,640,000)
Lapsed during the year	HK\$0.108	(19,440,000)	HK\$0.108	(41,340,000)
Outstanding at the end of the year	HK\$0.108	72,620,000	HK\$0.108	92,060,000
Vested and exercisable at the end of the year	HK\$0.108	72,620,000	HK\$0.108	92,060,000

No options expired, exercised or forfeited during the year covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Share options 2020	Share options 2019
23 November 2018	22 November 2023	HK\$0.108	72,620,000	92,060,000
Weighted average remaining contractual life of options outstanding at end of reporting period			2.89 years	3.89 years

The average fair value of each option granted during the year was 5 years.

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration scheme operated by the Group:

Option pricing model used	Binomial option pricing model
Share price at date of grant	0.103
Contractual life	5
Expected volatility	47.12%
Expected dividend rate	0%
Risk-free interest rate	2.20%

The expected price volatility is based on the historic volatility of the share prices of publicly listed companies that are considered to be comparable to the Company.

The Group recognised the total expense of nil for the year ended 31 December 2020 (2019: HK\$3,546,000) in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		68	1,225
Interest in subsidiaries	38	<u>—</u>	<u>—</u>
Total non-current assets		<u>68</u>	<u>1,225</u>
Current assets			
Deposits and prepayment		226	846
Amounts due from subsidiaries		695,754	708,043
Bank balances and cash		<u>—</u>	<u>302</u>
Total current assets		<u>695,980</u>	<u>709,191</u>
Current liabilities			
Other payables		2,986	3,745
Accruals		198,533	118,161
Lease liabilities		<u>—</u>	1,273
Other borrowings	31	390,506	390,506
Senior notes	32	179,967	179,967
Amounts due to subsidiaries		<u>78,190</u>	<u>446</u>
Total current liabilities		<u>850,182</u>	<u>694,098</u>
Net current (liabilities) assets		<u>(154,202)</u>	<u>15,093</u>
Net (liabilities) assets		<u>(154,134)</u>	<u>16,318</u>
Capital and reserves			
Share capital	34	42,500	42,500
Reserves	39	<u>(196,634)</u>	<u>(26,182)</u>
Total (deficit) equity		<u>(154,134)</u>	<u>16,318</u>

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38. PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries as at 31 December 2020 which principally affect the results, assets or liabilities of the Group as the Directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of subsidiary	Place of incorporation or registration and operations [®]	Issued and fully paid ordinary share capital/ registered capital	Percentage of ownership interests/ voting rights/profit share		Principal activities
			Directly	Indirectly	
Professional Wealth Creation Limited	Hong Kong	HK\$1 (2019: HK\$1)	100%	—	Money lending
Old Peak Capital Limited	Hong Kong	HK\$10,500,000 (2019: HK\$10,500,000)	—	100%	Advising on securities and asset management
Grand Plus Investment Limited	Hong Kong	HK\$1 (2019: HK\$1)	—	100%	Fund investment
Sky Horse INC Limited	Hong Kong	HK\$1 (2019: HK\$1)	100%	—	Provision of administrative services to the Group
China Gem Investment Limited	Hong Kong	HK\$10,000,000 (2019: HK\$10,000,000)	—	51%	Investment holding
China Rich Properties Limited	Hong Kong	HK\$10,000,000 (2019: HK\$10,000,000)	—	100%	Property development
Shunde China Rich Properties Limited	The PRC (b)	US\$11,200,000 (2019: US\$11,200,000)	—	100%	Property development
中石百納(深圳)股權投資管理有限公司	The PRC (b)	US\$500,000 (2019: US\$500,000)	—	100%	Money lending
中石(深圳)投資諮詢有限公司	The PRC (b)	RMB5,000,000 (2019: RMB5,000,000)	—	100%	Property investment

[®] Unless otherwise stated, the place of operations is the same as the place of incorporation.

Notes:

(a) None of the subsidiaries had issued any debt securities at the end of reporting period.

(b) All PRC subsidiaries are corporations with limited liability.

The Directors made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the Directors, there is no subsidiary that has non-controlling interest individually that is material to the Group and therefore no information is disclosed for those non-wholly owned subsidiaries.

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39. RESERVES OF THE COMPANY

	Share premium	Contributed surplus	Distributable reserve	Share option reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note i)	(note ii)	(note iii)	(note 36)		
At 1 January 2019	1,888,560	1,080,948	77,033	3,546	(2,652,979)	397,108
Loss for the year	—	—	—	—	(438,182)	(438,182)
Issue of ordinary shares upon exercise of share options (note 34)	15,747	—	—	(4,513)	—	11,234
Equity-settled share-based transactions (note 36)	—	—	—	3,658	—	3,658
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2019 and 1 January 2020	1,904,307	1,080,948	77,033	2,691	(3,091,161)	(26,182)
Loss for the year	—	—	—	—	(170,452)	(170,452)
Equity-settled share-based transactions (note 36)	—	—	—	(450)	450	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2020	<u>1,904,307</u>	<u>1,080,948</u>	<u>77,033</u>	<u>2,241</u>	<u>(3,261,163)</u>	<u>(196,634)</u>

Notes:

(i) Share premium

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account can be distributed in the form of fully paid shares.

(ii) Contributed surplus

The Company passed a special resolution on 31 December 2014 for a capital reduction and the issued share capital of the Company was reduced from approximately HK\$299,617,000 to HK\$14,981,000 on 2 January 2015. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK\$284,636,000. Such amount was credited to the contributed surplus of the Company.

(iii) Distributable reserve

The distributable reserve of the Company represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the Company's share issued for the acquisition at the time of the group reorganisation in 1994.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save for those disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the year, the Group entered into the following transactions with related parties:

	2020 HK\$'000	2019 HK\$'000
Interest expenses incurred on loan from a former shareholder	(532)	(521)
License service income (note)	—	1,323
Interest income from a related party	—	260
	<u> </u>	<u> </u>

Note:

The license service income was generated from the provision of administrative service provided to a fund in which a fellow subsidiary of the Group was the general partner of the fund. The transaction has been conducted on normal commercial terms.

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2020 HK\$'000	2019 HK\$'000
Short-term benefits	5,286	17,241
Post-employment benefits	65	110
	<u> </u>	<u> </u>
	<u>5,351</u>	<u>17,351</u>

(c) Amounts with related parties are summarised below:

	2020 HK\$'000	2019 HK\$'000
Amount due from/(to)		
A related party (note (i))	—	110
A related company (note (ii))	(179)	(179)
Directors	(889)	(889)
Loan from a former shareholder	(49,598)	(51,525)
	<u> </u>	<u> </u>

Notes:

(i) The related party was wife of a former director of the Company, who resigned on 22 January 2020.

(ii) Mr. Cui Lei, a former director of the Company, was also the director of the related company. He was resigned on 22 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. NOTES SUPPORTING CASH FLOW STATEMENTS

Reconciliation of liabilities arising from financing activities

	Accrued interest expense	Loans from shareholder	Other borrowings	Senior notes	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020	113,295	49,598	418,412	179,967	6,185	767,457
Changes from cash flows:						
Repayment of lease liabilities	—	—	—	—	(5,971)	(5,971)
Interest paid	(6,185)	—	—	—	(634)	(6,819)
Total changes from financing cash flows	(6,185)	—	—	—	(6,605)	(12,790)
Interest expenses	92,011	—	—	—	420	92,431
Exchange adjustments	269	—	1,521	—	—	1,790
As at 31 December 2020	<u>199,390</u>	<u>49,598</u>	<u>419,933</u>	<u>179,967</u>	<u>—</u>	<u>848,888</u>
As at 1 January 2019	59,928	49,598	427,845	178,688	9,654	725,713
Changes from cash flows: Proceed						
from new borrowings	—	—	500	—	—	500
Repayment of borrowings	—	—	(10,000)	—	—	(10,000)
Repayment of lease liabilities	—	—	—	—	(3,469)	(3,469)
Interest paid	(2,020)	—	—	—	(767)	(2,787)
Total changes from financing cash flows	(2,020)	—	(9,500)	—	(4,236)	(15,756)
Interest expenses	55,697	—	—	1,279	767	57,743
Exchange adjustments	(310)	—	67	—	—	(243)
As at 31 December 2019	<u>113,295</u>	<u>49,598</u>	<u>418,412</u>	<u>179,967</u>	<u>6,185</u>	<u>767,457</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Loans and receivables at amortised cost (<i>note (i)</i>)	57,330	177,586
Financial assets at fair value through profit or loss	<u>90,591</u>	<u>499,905</u>
	<u>147,921</u>	<u>677,491</u>
Financial liabilities		
Financial liabilities, at amortised cost (<i>note (ii)</i>)	<u>924,150</u>	<u>821,423</u>

Notes:

- (i): Loans and receivables comprises trade and other receivables, loan receivables, deposits and cash and cash equivalents.
- (ii): Financial liabilities comprises trade and other payables, accruals, lease liabilities, loan from a former shareholder, other borrowings and senior notes.

43. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, loan receivables, deposits, financial assets at fair value through profit or loss, cash and cash equivalents, trade and other payables, accruals, loan from a former shareholder, senior notes and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

(a) Market risk

Currency risk

Most of the Group's financial assets and liabilities are denominated in HK\$, United States dollars and RMB, which are the functional currencies of respective group companies, and Hong Kong dollars is pegged to United States dollars.

Management considered the foreign exchange risk with respect of RMB is not significant as the net exposure to RMB is not material. The exchange rate of RMB to HKD is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk *(Continued)*

Interest risk

The Group's fair value interest-rate risk mainly arises from loan receivables, loan from shareholders, other borrowings and senior notes were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no financial instruments which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

(b) Credit risk

The Group credit risk is primarily attributable to its trade and other receivables, loan receivables, financial assets at fair value through profit or loss and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Trade receivables and other receivables

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Each customer is given different credit terms and normally, the Group does not obtain collateral from customers.

Loans receivable

The Group assesses the credit quality of each potential client and defined limits for each client. The Group also demands certain client to provide corporate guarantees from their respective shareholders or related parties or stocks as collateral to the Group at the time the loan arrangement is entered into. Also, the Group take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate.

For all stage 1 loan receivables amounted to nil (2019: HK\$5 million), the fair value of pledged assets secured by these customers, which mitigating a certain extent of credit risk, were amounted to nil (2019: HK\$6 million).

Financial assets at fair value through profit or loss

The Group also invested in Debt Securities and convertible bonds designated as financial assets fair value through profit or loss which exposed to credit risk. The management of the Group reviews on a regular basis the portfolio of the Debt Securities and convertible bonds to ensure that the concentration risk is at an acceptable level. In this regard, the Directors consider that the credit risk relating to the Debt Securities and convertible bonds is closely monitored. The maximum exposure to credit risk at the end of the reporting period equal to carrying amounts of these instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Bank balances

As at 31 December 2020 and 2019, the Group has bank balances and cash in certain corporations and banks in the PRC and Hong Kong. The credit risk on these deposits and other financial assets is insignificant as the counterparties are financial institutions with high credit rating or with good reputation.

As at 31 December 2019, the Group has a certain concentration of credit risk as 22% and 68% of total trade and other receivables and loan receivables were due from the Group's largest debtor and the five largest debtors respectively.

As at 31 December 2020, the Group does not have significant concentration risk.

The credit risk of the Group's financial assets, which mainly comprise of cash and cash equivalents, trade receivables and loan and other receivables, arises from potential default of the counterparties, with maximum exposure equal to the carrying amounts of these instruments.

Impairment and provisioning policies

The impairment requirements under HKFRS 9 are based on an ECL model. The Group applies simplified approach to measure ECL on trade receivable; and general approach to measure ECL on other receivables, loans receivable and bank balances. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, loss provisions are provided at 12-month ECL; Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.

For these financial instruments, lifetime ECL are recognised. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. The trade and other receivables and loans receivable use the probability of default ("PD") and Loss Given Default ("LGD") to determine significant increase in credit risk.

Based on PD, LGD and internally derived credit ratings, trade and other receivables, loan receivables, financial assets at fair value through profit or loss and cash and cash equivalents are classified into 3 stages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which are calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

31 December 2020

	Expected loss rate (%)	Gross carrying amount HK\$'000	Loss allowance HK\$'000
<i>Trade receivables arising from sales of properties held for sales</i>			
Current (not past due)	0%	<u>1,468</u>	<u>—</u>
31 December 2019			
	Expected loss rate (%)	Gross carrying amount HK\$'000	Loss allowance HK\$'000
<i>Trade receivables arising from license and financial service business</i>			
Current (not past due)	0%	795	—
365 days past due	100%	<u>40,544</u>	<u>40,544</u>
		<u>41,339</u>	<u>40,544</u>
<i>Trade receivables arising from sales of properties held for sales</i>			
Current (not past due)	6%	<u>3,432</u>	<u>202</u>
		<u>44,771</u>	<u>40,746</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade receivables (Continued)

Expected loss rates are based on PD and LGD to determine significant increase in credit risk. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Loan and other receivables

The following table provides information about the Group's exposure to credit risk and ECLs for loan and other receivables:

	Expected loss rate (%)	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Gross carrying amount HK\$'000	Loss allowance HK\$'000
31 December 2020						
Loan receivables	86.5%	—	—	252,792	252,792	218,665
Investment income receivables	86.5%	—	—	136,549	136,549	121,596
Interest income arising from loan receivables	86.5%	—	—	32,609	32,609	28,207
		—	—	421,950	421,950	368,468
31 December 2019						
	3.7%–					
Loan receivables	87.1%	4,985	85,351	162,456	252,792	139,022
Investment income receivables	68.80%	—	—	136,549	136,549	102,040
Interest income arising from loan receivables	3.7%– 68.8%	39	14,828	17,742	32,609	15,988
		5,024	100,179	316,747	421,950	257,050

Expected loss rates are based on PD and LGD to determine significant increase in credit risk. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Loan and other receivables (Continued)

Movement in the loss allowance account in respect of trade, loan and other receivables during the year is as follows:

	Trade and other receivables	Loan receivables	Investment income receivables	Interest income arising from loan receivables	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019	2,966	3,214	12,194	—	18,374
Impairment losses recognised during the year (Simplified approach)	202	—	—	—	202
Impairment losses recognised during the year (12 month ECL — stage 1)	—	197	—	2	199
Impairment losses recognised during the year (12 month ECL — stage 2)	37,578	25,165	—	3,660	66,403
Impairment losses recognised during the year (12 month ECL — stage 3)	—	110,512	89,969	12,334	212,815
Exchange alignments	—	(66)	(123)	(8)	(197)
Balance at 31 December 2019 and 1 January 2020	40,746	139,022	102,040	15,988	297,796
Impairment losses recognised during the year (12 month ECL — stage 3)	5,604	79,643	19,556	12,219	117,022
Amounts written off during the year	(46,350)	—	—	—	(46,350)
Balance at 31 December 2020	—	218,665	121,596	28,207	368,468

(c) Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowing and ensures compliance with loan covenants.

As at 31 December 2020 and 2019, all of the Group's financial liabilities are required to be settled within 1 year or are repayable on demand. The total contractual undiscounted cash flows of these financial liabilities equal their carrying amounts in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions are valued by independent professional valuer; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
2020				
Financial assets at fair value through profit or loss				
— Listed equity investments	—	—	—	—
— debt instruments, unlisted	—	—	90,591	90,591
— convertible bonds, unlisted	—	—	—	—
	<u>—</u>	<u>—</u>	<u>90,591</u>	<u>90,591</u>
2019				
Financial assets at fair value through profit or loss				
— Listed equity investments	56	—	—	56
— debt instruments, unlisted	—	—	499,849	499,849
— convertible bonds, unlisted	—	—	—	—
	<u>56</u>	<u>—</u>	<u>499,849</u>	<u>499,905</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	499,849	637,189
Change in fair value	(409,258)	(137,189)
Exchange alignments	—	(151)
	<u> </u>	<u> </u>
At end of the year	<u><u>90,591</u></u>	<u><u>499,849</u></u>

44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes loan from a former shareholder, other borrowing and senior notes) and equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a continuous basis. As part of this review, the Directors consider the cost of capital and the risks associated with capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts. The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

45. EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE

(a) Acquisition of a subsidiary

On 3 February 2021, the Group entered into a share transfer agreement and agreed to acquire 60% equity interest in Aohan Banner Ruijia Building Material Co., Limited (“Aohan”) at a consideration of RMB51.6 million (equivalent to approximately HK\$61.9 million). Aohan is principally engaged in the manufacturing of ready-mixed concrete and sales of concrete; sales of mineral products; investment in mineral resource projects; road goods transportation; and the research and development and promotion of technologies of new building materials.

(b) Winding up petition

On 31 March 2021, the Company received a petition from Abundance Limited (the “Petitioner”) in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the “High Court”) under Companies Winding-up Proceedings No. 138 of 2021 that the Company may be wound up by the High Court on the ground that the Company could not reach a consensus with the Petitioner on the rental fee. The winding up petition will be heard before the High Court at 10: 00 a.m. on 7 July 2021.

46. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 7 May 2021.

FINANCIAL SUMMARY

RESULTS

The consolidated results, assets and liabilities of the Group for the last five financial years/period as extracted from the audited financial statements of the Group and restated as appropriate are summarised below:

	For the year ended 31 July 2016 HK\$'000	For the seventeen months ended 31 December 2017 HK\$'000	For the year ended 31 December 2018 HK\$'000	For the year ended 31 December 2019 HK\$'000	For the year ended 31 December 2020 HK\$'000
Revenue					
— continuing operations	9,765	109,933	99,532	103,938	19,985
— discontinued operations	—	—	—	—	—
	<u>9,765</u>	<u>109,933</u>	<u>99,532</u>	<u>103,938</u>	<u>19,985</u>
Profit/(loss) before income tax					
— continuing operations	(21,115)	32,360	(59,910)	(391,163)	(632,393)
— discontinued operations	—	—	—	—	—
	<u>(21,115)</u>	<u>32,360</u>	<u>(59,910)</u>	<u>(391,163)</u>	<u>(632,393)</u>
Income tax credits/(expenses)					
— continuing operations	(1,427)	9,098	(7,714)	(11,352)	152
— discontinued operations	—	—	—	—	—
	<u>(1,427)</u>	<u>9,098</u>	<u>(7,714)</u>	<u>(11,352)</u>	<u>152</u>
Profit/(loss) for the year/period					
— continuing operations	(22,542)	41,458	(67,624)	(402,515)	(632,241)
— discontinued operations	—	—	—	—	—
	<u>(22,542)</u>	<u>41,458</u>	<u>(67,624)</u>	<u>(402,515)</u>	<u>(632,241)</u>
Attributable to:					
Owners of the Company	(22,542)	41,465	(67,623)	(402,514)	(632,240)
Non-controlling interests	—	(7)	(1)	—	(1)
	<u>(22,542)</u>	<u>41,458</u>	<u>(67,624)</u>	<u>(402,514)</u>	<u>(632,241)</u>

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 July 2016 HK\$'000	As at 31 December 2017 HK\$'000	As at 31 December 2018 HK\$'000	As at 31 December 2019 HK\$'000	As at 31 December 2020 HK\$'000
Total assets	402,707	1,223,920	1,279,227	955,159	428,915
Total liabilities	<u>(111,204)</u>	<u>(740,021)</u>	<u>(795,701)</u>	<u>(858,829)</u>	<u>(963,999)</u>
	<u>291,503</u>	<u>483,899</u>	<u>483,526</u>	<u>96,330</u>	<u>(535,084)</u>
Attributable to:					
Owners of the Company	291,503	479,006	478,634	91,439	(539,974)
Non-controlling interests	<u>—</u>	<u>4,893</u>	<u>4,892</u>	<u>4,891</u>	<u>4,890</u>
	<u>291,503</u>	<u>483,899</u>	<u>483,526</u>	<u>96,330</u>	<u>(535,084)</u>

PARTICULARS OF MAJOR PROPERTIES

	Lease Expiry	Approx. gross floor area (Sq.m.)	Type	Effective % held	Stage of completion	Anticipated completion
Properties held for sale						
Regal Garden No. 888 Luchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	751	6 Residential units	100%	Completed	N/A
Properties under development						
Regal Garden No. 888 Luchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	18,804	169 Residential units	100%	The registration of the authentic rights (確權) at these units were not yet completed. Details are set out in note 21 to the financial statements	N/A
Investment properties						
Regal Garden No. 888 Luchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	11,391	Property held for further development	100%	Vacant land not yet developed	N/A
	December 2065	19,271	Retail shops	100%	Completed	N/A
	December 2065	6,696	Car park space	100%	Completed	N/A
47 residential units of a residential development named 太平湖金龍島 Huangshan District, Anhui Province, the PRC	November 2080	4,719	47 Residential units	100%	Completed	N/A
Property, Plant and Equipment						
Regal Garden No. 888 Luchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	400	Retail shops	100%	Completed	N/A