OSHIDORI INTERNATIONAL HOLDINGS LTD

威華達控股有限公司*

(Incorporated in the Bermuda with limited liability)

(Stock Code: 622)

THIS IS OUR NEW BEGINNING

ANNUAL REPORT 2019

* *For identification purpose only*

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. SAM Nickolas David Hing Cheong *(Chairman)*
Mr. WONG Yat Fai
Ms. WONG Wan Men Margaret
(Appointed on 28 January 2019)
Mr. CHOW Chi Wah Vincent
(Resigned on 29 October 2019)

Non-executive Director

Hon. SCHMITZ Joseph Edward
(Appointed on 17 January 2020)

Independent Non-executive Directors

Mr. CHEUNG Wing Ping
Mr. HUNG Cho Sing
Mr. CHAN Hak Kan

AUTHORISED REPRESENTATIVES

Mr. SAM Nickolas David Hing Cheong
Ms. WONG Wan Men Margaret
(Appointed on 29 October 2019)
Mr. CHOW Chi Wah Vincent
(Resigned on 29 October 2019)

AUDIT COMMITTEE

Mr. CHEUNG Wing Ping *(Chairman)*
Mr. HUNG Cho Sing
Mr. CHAN Hak Kan

NOMINATION COMMITTEE

Mr. CHEUNG Wing Ping *(Chairman)*
Mr. SAM Nickolas David Hing Cheong
Mr. HUNG Cho Sing
Mr. CHAN Hak Kan

REMUNERATION COMMITTEE

Mr. CHEUNG Wing Ping *(Chairman)*
Mr. SAM Nickolas David Hing Cheong
Mr. HUNG Cho Sing
Mr. CHAN Hak Kan

COMPANY SECRETARY

Ms. LIU Tsui Fong
(Appointed on 29 October 2019)
Mr. CHOW Chi Wah Vincent
(Resigned on 29 October 2019)

LEGAL ADVISOR

(As to Bermuda law)
Conyers Dill & Pearman

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

25th Floor, China United Centre
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Hong Kong

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Facsimile	:	(852) 2704 2181
Stock Code	:	622
Website	:	www.oshidoriinternational.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor, North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Wanchai
Hong Kong

HONG KONG BRANCH SHARE TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Oshidori International Holdings Limited ("Oshidori" or the "Company"), I present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019, the Group's revenue surged to approximately HK$282.3 million, as compared with a negative amount of approximately HK$94.5 million over last year. Loss for the year ended 31 December 2019 amounted to approximately HK$360.0 million compared with the loss of approximately HK$1.4 million for last year. Basic losses per share is HK6.19 cents compared with basic earnings per share of HK0.50 cents for last year.

OVERVIEW

The pace of the global economy remained slow throughout 2019. Trade disputes and policy uncertainty between the US and China pressured business confidence and investment decisions. The US Federal Reserve lowered its benchmark interest rates three times in 2019 to support the economy.

In Hong Kong, business sectors, retail, and tourism industries had a difficult time in 2019 due to the uncertain economic environment and political unrests. The announcement from the World Health Organization to declare Coronavirus Disease 2019 ("COVID-19") outbreak as a "public health emergency of international concern" has further slowed down Hong Kong's economy dramatically. The Group's businesses are closely related to the Hong Kong financial industry and stock market performance. Intermittent favorable news on US-China economic relations and diminished fears of a hard Brexit supported investors' risk appetite. Equities continued to advance in the large advanced economies over the fall; core sovereign bond yields rose from their September low; and portfolio flows to emerging market economies strengthened, particularly to bond funds.

PROSPECTS

Triggered by the widespread coronavirus and oil shocks, global financial markets are in complete turmoil, gradually moving to a global recession. In addition, Hong Kong as a global financial center is also influenced by the slowdown of global economies, rising trade barriers, the increasing geopolitical tensions as well as the local social unrest. The full year business outlook of the Group in 2020 will be uncertain.

The anticipated market conditions further strengthen the Group's intention to explore potential investment opportunities in fintech, lifestyle, real estate and integrated resort ("IR") projects in other regions including but not limited to Japan.

As at the date of this Annual Report, certain prefectures of Japan expressed their interest in the establishment of an integrated resort and completed their respective request-for-concept (the "RFC") process. The Company registered as the participant of the RFC process in one of the prefectures in Japan and submitted a proposal to the relevant Japanese government authority in January 2020. The Company's RFC proposal features an overall concept of the proposed integrated resort including facility designs, marketing and operation policies.

As at the date of this Annual Report, the national government of Japan is finalizing its IR basic policy. Local governments will finalize and release their respective IR implementation policy in the near future. Therefore, the Company is vigorously monitoring relevant updates from the government authorities in Japan.

In addition, the Group will continue to adopt prudent capital management and liquidity risk management policies to preserve adequate buffer to meet the challenges ahead.

For more details of Oshidori IR business, please refer to our IR website: https://oshidoriresorts.com.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all the staff for their devoted efforts and hard work. I would also like to thank all shareholders for their continued support over the years.

SAM Nickolas David Hing Cheong
Chairman

Hong Kong, 23 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

The Group principally engages in investment holdings, trading and investment in securities, and the provisions of (i) securities brokerage services, (ii) placing and underwriting services, (iii) corporate finance advisory services, (iv) money lending services, (v) investment advisory and asset management services, and (vi) margin financing services. The Group intends to explore potential investment opportunities in fintech, lifestyle, real estate and integrated resort projects.

BUSINESS REVIEW

For the year ended 31 December 2019, the Group's revenue surged to approximately HK$282.3 million, as compared with the negative amount of approximately HK$94.5 million over last year. The turnaround was mainly due to the net realised gain on financial assets at fair value through profit or loss ("FVPL") of approximately HK$99.4 million for the year (2018: net realised losses of approximately HK$301.2 million), the 120.7% growth in money lending activities and the 82.0% increase in the interest income generated from margin financing activities, as compared to last year.

Loss for the year ended 31 December 2019 amounted to approximately HK$360.0 million compared with the loss of approximately HK$1.4 million for last year. Basic losses per share for the year ended 31 December 2019 is HK6.19 cents, as compared with earnings per share of HK0.50 cents for last year.

The net loss of the Company was mainly attributable to the widened unrealised loss on financial assets at FVPL. The performance of the financial assets were strongly related to the turbulence of the Hong Kong stock market, which showed signs of recovery in 2019, while suffering a series of drastic decline at a later stage. The social unrest in Hong Kong, the escalation of Sino-US trade conflicts and the global influence of the Brexit negotiations were the key factors that jittered the market.

Brokerage Services and Margin Financing

For the year ended 31 December 2019, the brokerage commission income generated from securities brokerage services decreased by 36.0% to approximately HK$1.6 million (2018: approximately HK$2.5 million), which was due to the volatile local stock market and negative global investment sentiments.

For the year ended 31 December 2019, the interest income generated from provision of margin financing services amounted to approximately HK$29.9 million (2018: approximately HK$16.4 million). The Group will continue to balance risk and return and maintain a cautious approach to the credit control of its margin financing business.

Money Lending

The money lending sector performed well during 2019. The interest income generated from money lending services soared by 120.7% to approximately HK$49.4 million for the year ended 31 December 2019 (2018: approximately HK$22.4 million).

The Group remains positive about its money lending business and will continue to provide high-quality services to its clients.

Placing and Underwriting Services

For the year ended 31 December 2019, Win Wind Securities Limited, a wholly owned subsidiary of the Company, has no placing and underwriting activities and no placement commission was generated (2018: nil).

The Group has maintained a cautious approach before committing to underwriting and placing services at times of market turbulence.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Finance

For the year ended 31 December 2019, corporate finance advisory fees increased by approximately 66.7% to approximately HK$0.5 million (2018: approximately HK$0.3 million).

Investment advisory

No investment advisory services income has been generated for the year ended 31 December 2019 (2018: nil).

Proprietary Trading and Investments

The Group engages in proprietary trading of listed securities, unlisted convertible notes and unlisted investment funds, which are classified as financial assets at FVPL. The fair value of the financial assets at FVPL amounted to approximately HK$2,132.0 million as of 31 December 2019 (2018: approximately HK$2,585.4 million) and a realised gain on financial assets at FVPL of approximately HK$99.4 million was achieved for the year ended 31 December 2019 (2018: realised loss of approximately HK$301.2 million). Dividend income decreased by approximately 45.9% to approximately HK$87.2 million (2018: approximately HK$161.2 million).

SIGNIFICANT INVESTMENTS

During the year, the Group's significant investments that were classified as financial assets designated at fair value through other comprehensive income ("Designated FVOCI") and financial assets at FVPL were detailed as follows:

Name of investments	Notes	Percentage of shareholding as at 31 Dec 2019	Percentage of shareholding as at 31 Dec 2018	Net gain (loss) for the year ended 31 Dec 2019	Net gain (loss) for the year ended 31 Dec 2018	Dividend received for the year ended 31 Dec 2019	Approximate% to the Group's total assets as at 31 Dec 2019	Investment cost	Market value as at 31 Dec 2019	Market value as at 31 Dec 2018
		%	%	*HK$'000*	*HK$'000*	*HK$'000*	%	*HK$'000*	*HK$'000*	*HK$'000*
Designated FVOCI										
Unlisted shares in overseas										
– Satinu Resources Group Limited	*1*	11.68	10.34	64,125	(282,556)	–	8.84	634,497	604,705	406,083
Listed shares in Hong Kong										
– Shengjing Bank Co., Ltd. (stock code: 2066)	*2*	8.12	12.33	501,600	(528,200)	23,309	16.81	1,254,000	1,149,500	647,900
– ZhongAn Online P&C Insurance Co., Ltd. (stock code: 6060)	*3*	3.40	–	24,625	–	–	6.56	435,776	448,546	–
Financial assets at FVPL										
Listed shares in Hong Kong										
– Evergrande Health Industry Group Limited (stock code: 708)	*4*	1.40	1.38	(302,317)	532,344	–	13.73	513,768	939,199	1,224,413
– C C Land Holdings Limited (stock code: 1224)	*5*	4.79	3.54	(16,471)	13,410	3,338	4.86	355,320	332,762	259,662

The above table lists out the significant investments of the Group. To give details of other investments would result in particulars of excessive length.

MANAGEMENT DISCUSSION AND ANALYSIS

The performance and prospects of the Group's significant investments during the period were detailed as follows:

1. **Satinu Resources Group Limited ("Satinu")**

   Satinu and its subsidiaries engage in integrated financial services, securities brokerage services, money lending, securities and other direct investments. Given recent merger and acquisition deals of financial related companies by Chinese enterprises and low interest rate environment, Satinu has a strategic investment value.

2. **Shengjing Bank Co., Limited ("Shengjing") (Stock Code: 2066)**

   Shengjing principally engages in the provision of corporate and personal deposits, loans, and advances, settlement, treasury business and other banking services as approved by the China Banking Regulatory Commission.

   In 2019, the bank has creatively completed domestic and overseas capital increase and share expansion, deepened the reform of the management system and gradually rationalised the operating mechanism of corporate governance, optimized the organizational structure and personnel structure, and constantly improved the performance remuneration system, cultivated multi-dimensional marketing management system and increased marketing efforts, and strengthened the construction of a comprehensive risk management system, and strictly observed a sound business bottom line.

3. **ZhongAn Online P & C Insurance Co., Ltd ("ZhongAn") (Stock Code: 6060)**

   ZhongAn is the first Internet-based Insuretech Company in the People's Republic of China (the "PRC"). Its Insurance services include lifestyle consumption insurance, consumer finance insurance, health insurance, auto insurance and travel insurance.

   In 2019, the company has strengthened users' insurance awareness, and provided more inclusive health insurance products through its proprietary platforms and the platform of Alipay Insurance operated by Ant Financial. It has also enhanced strategic cooperation with Ant Financial, and together with other ecosystem partners, actively explore product innovation and upgrade, leading to a 130.8% GWP growth of the lifestyle consumption ecosystem business. It has also strategically increased investments in the development of our proprietary platform business, while facilitated the implementation of an automatic and intelligent business process with the application of technology. ZhongAn Bank launched its trial pilot on December 18, 2019 and became the first virtual bank in trial operation in Hong Kong.

4. **Evergrande Health Industry Group Limited ("Evergrande Health") (Stock Code: 708)**

   Evergrande Health principally engages in "Internet+" community health management, international hospitals, elderly care, and rehabilitation, as well as the investment in high technology new energy vehicle manufacture.

   In 2019, the Group continued to uphold the innovative services concept of integrating medical insurance with medical care, health management and elderly care. It provided, among others, medical, health management, healthcare, and elderly care services through a membership platform. It developed and formulated an all-rounded and all-age healthcare service standard, and proceeded with the innovative development of Evergrande Elderly Care Valley. During the Year, 23 Evergrande Elderly Care Valley took root across China. For new energy vehicle manufacture, the Group established a full industry chain of new energy vehicles covering vehicle manufacturing, electric motor control, power batteries, vehicle sales, smart charging, shared mobility, and other aspects. The company possessed the world's top core technology in all key aspects. The Group established Evergrande New Energy Automobile R&D Institute Group Global Headquarters, implemented a globally integrated research and development model, and carried out collaborative research and development in China, Sweden, Germany, the United Kingdom, the Netherlands, Austria, Italy, Japan, South Korea and other countries.

MANAGEMENT DISCUSSION AND ANALYSIS

5. **C C Land Holdings Limited ("C C Land") (Stock code: 1224)**
   C C Land focuses on property investment and development business.

   C C Land will continue to expand its property investments and development mainly in United Kingdom and Australia and take a prudent approach to leverage on its strong portfolio to ensure a steady and strong rental income.

Going forward, the Group expects that the stock markets in Hong Kong and the PRC will remain challenging for 2020, as the economies continue to show signs of slowing down. Even so, the Group will continue to pursue long-term business and profitability growth in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management policies and practices to preserve adequate buffer to meet the challenges ahead.

FINANCIAL POSITION

A portion of the Group's bank balances are denominated in USD and RMB in the amount of approximately HK$5.4 million and approximately HK$137.0 million respectively. The Group's financial services business is not exposed to significant foreign exchange risk as most of the transactions are denominated in HK$. No financial instruments were used for hedging purposes.

Capital commitments

As at 31 December 2019, the Group had no capital commitments in respect of the acquisition of property and equipment.

UPDATE ON USE OF PROCEEDS IN RELATION TO RIGHTS ISSUE

On 28 March 2018, the Company announced a proposed rights issue on the basis of one rights share for every one share in issue at a subscription price of HK$0.45 per rights share to raise not less than HK$1,307.64 million (before expenses) and not more than HK$1,314.40 million (before expenses) (the "Rights Issue"). Details of the Rights Issue were set out in the announcement of the Company dated 28 March 2018 and the prospectus of the Company dated 28 June 2018. The Rights Issue was completed on 20 July 2018, and the issued share capital of the Company was increased from 2,905,883,141 shares to 5,811,766,282 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Reference is made to the (i) the prospectus of the Company dated 28 June 2018; (ii) the 2018 interim report of the Company published on 19 September 2018; (iii) the announcement of the Company dated 3 January 2019; (iv) the 2018 annual report of the Company published on 24 April 2019; (v) the supplemental announcement of the Company dated 10 September 2019 and (vi) the 2019 interim report of the Company published on 26 September 2019. The details of the proposed use of proceeds, change in use of proceeds and the actual use of proceeds during the year are as follows:

			Proposed use of proceeds from the Rights Issue	Change in use of proceeds from the Rights Issue *(Note a)*	Amount utilised
			HK$'000	*HK$'000*	*HK$'000*
(i)	Business development of the Group's financial services				
	a)	provide additional resources to the Group's money lending business	300,000	–	300,000
	b)	provide additional resources to the Group's margin financing business	180,000	–	180,000
	c)	conduct marketing activities	10,000	(8,858)	1,142
	d)	hire high caliber professionals	10,000	(10,000)	–
			500,000	(18,858)	481,142
(ii)	Repayment of the outstanding principal and interest of the Group's loans due to third parties		325,000	–	325,000
(iii)	Operating expenses		100,000	–	100,000
(iv)	General working capital		–	18,858	18,858
(v)	Financing investment opportunities		23,418	–	23,418
(vi)	Repayment of the promissory note in relation to the acquisition of Win Wind Capital Limited ("Win Wind") (Note b)		320,000	–	320,000
Total			1,268,418	–	1,268,418

Notes:

(a) As disclosed in the announcement of the Company dated 3 January 2019, the Board reallocated being approximately HK$18.86 million (which was initially allocated for conducting marketing activities and hiring high caliber professionals), as general working capital of the Group, among which, approximately HK$3.28 million has been utilized in 2018 and the remaining amount of approximately HK$15.58 million has been utilised in 2019.

(b) During the financial year ended 31 December 2019, the amount of HK$200 million was utilised for repayment of the promissory note in relation to the acquisition of Win Wind.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL TRANSACTIONS

Adoption of Share Award Scheme

On 23 September 2019, the Company announced a proposed adoption of the share award scheme (the "2019 Share Award Scheme"). The 2019 Share Award Scheme shall be valid and effective for a period commencing on the date when the Scheme is approved by the Shareholders at the special general meeting (the "Adoption Date") and ending on the tenth anniversary of the Adoption Date. The Board shall not make any further grant of awarded shares that will result in the total number of shares awarded by the Board under the 2019 Share Award Scheme exceeding 10% of the issued share capital of the Company as at the Adoption Date.

Subject to the 2019 Share Award Scheme limit, the maximum number of awarded shares which may be awarded by the Board in any financial year shall not be more than 3% of the issued share capital of the Company ("Annual Limit") provided that if the Annual Limit is not fully utilised in any financial year, further awarded shares may be awarded by the Board in subsequent financial year(s) up to such Annual Limit. The Annual Limit may be refreshed by Shareholders who are permitted under the Rules Governing the Listing of Securities (the "Listing Rules") to vote at a general meeting of the Company so that the Annual Limit refreshed shall not exceed 3% of the issued share capital of the Company as at the date of the general meeting approving such refreshment. The maximum aggregate number of the shares which may be awarded to a selected grantee under the 2019 Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The objectives of the 2019 Share Award Scheme are: (i) to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group's existing and other new potential business including integrated resort development; and (ii) to attract suitable personnel with relevant experience in the Group's existing and other new potential business including integrated resort development.

A special general meeting was held on 19 December 2019 and the 2019 Share Award Scheme was duly passed. No share award was granted during the year ended 31 December 2019.

EVENT AFTER THE REPORTING PERIOD

Grant of Share Options and Awarded Shares in relation to proposed issuance of new shares

On 22 January 2020, the Board resolved to grant an aggregate of 120,000,000 share options to 10 option grantees under the 2012 Share Option Scheme (defined in Report of the Directors), of which, (i) 100,000,000 share options were granted to 9 independent option grantees; and (ii) 20,000,000 share options were granted to Ms. Wong Wan Men Margaret ("Ms. Wong").

On 22 January 2020, the Board also resolved to award an aggregate of 95,000,000 awarded shares to the same 10 persons under the 2019 Share Award Scheme, of which, (i) 85,000,000 awarded shares were awarded to 9 independent grantees by way of issue and allotment of new shares pursuant to the specific mandate; and (ii) 10,000,000 connected awarded shares were proposed to Ms. Wong by way of issue and allotment of new shares pursuant to the specific mandate.

As Ms. Wong is a connected person of the Company, the issue and allotment of the connected awarded shares to her constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and shall be subject to the approval by the independent shareholders. The SGM was convened and held on 25 March 2020 and the issuance and allotment of the connected awarded shares to Ms. Wong was approved.

MANAGEMENT DISCUSSION AND ANALYSIS

LITIGATION

(a) Updates on the previous disposal of shares in Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade")

During the year ended 31 December 2011, the Group disposed of its 100% equity interest in Fuhuade to CNOOC Gas & Power Group (the "Buyer"). The total consideration of the disposal of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000) was payable in instalments, the payment of which was subject to finalisation and confirmation of the results of supplemental audit. As at 31 December 2012, the supplemental audit was not yet finalised and the outstanding instalments were not received from the Buyer. In view of this, the Group made a provision for doubtful consideration receivable of HK$93,132,000 for the year ended 31 December 2012.

As at 31 December 2013, the Group was still not able to secure a satisfactory conclusion on the supplemental audit. Under the circumstances, the Board is of the opinion that the timing and eventual outcome of the finalisation of the supplemental audit and hence the settlement of the outstanding instalments cannot be estimated with reasonable certainty. It is determined that the receivable amount should be fully provided for until such time as the eventual outcome can be reliably estimated. Accordingly, the Group fully wrote down the receivable amount of HK$255,185,000, being the amount of consideration receivable amounting to HK$358,921,000 as originally stated after deducting estimated other taxes payable arising from the disposal of the subsidiary of HK$103,736,000, in the profit and loss account for the year ended 31 December 2013.

On 20 December 2017, the Group received a civil judgement (廣東省深圳市中級人民法院民事判決書[2014]深中法涉外初字第59號) in favour of the Group in relation to the litigation on the previous disposal of shares in Fuhuade, pursuant to which the Group is judged to receive approximately RMB85,545,000 (equivalent to approximately HK$102,327,000) (before tax) together with related interest of approximately RMB28,326,000 (equivalent to approximately HK$33,883,000) (before tax).

On 16 April 2019, the Group further received a civil judgment (廣東省深圳市中級人民法院民事判決書[2016]粵03民初第662號) in favour of the Group in relation to the litigation on the previous disposal of shares in Fuhuade, pursuant to which the Group is judged to receive approximately RMB113,486,000 (equivalent to approximately HK$129,102,000) (before tax) together with related tax subsidies of approximately RMB29,066,000 (equivalent to approximately HK$33,030,000) (before tax) .

Up to 31 December 2019, approximately RMB127,624,000 (equivalent to approximately HK$145,566,000) was received from CNOOC Gas for settlement of judged consideration receivables of the third instalment of approximately RMB113,486,000 (equivalent to approximately HK$129,102,000) and tax subsidies of approximately RMB21,025,000 (equivalent to approximately HK$24,335,000) after deducting withholding tax of approximately RMB6,887,000 (equivalent to approximately HK$7,871,000).

Apart from the above, the Group is still awaiting a second instance decision from the Guangdong Provincial People's High Court regarding the amount of fuel subsidy (廣東省深圳市中級人民法院[2016]粵03民初661號).

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Legal Proceeding against Mr. Qin Jun

On 6 May 2016, Win Wind Resources Limited ("Win Wind Resources"), a non-wholly owned subsidiary of the Company, commenced legal proceedings as creditor by filing a bankruptcy petition with the Court of First Instance of Hong Kong, against Mr. Qin Jun as debtor regarding an outstanding loan (and accrued interest) in the approximate sum of HK$54.99 million pursuant to a loan agreement dated 29 September 2014 made between Win Wind Resources as lender and Mr. Qin Jun as borrower (as supplemented by a supplementary agreement made between the parties dated 29 March 2015). Mr. Qin Jun was declared bankrupt by the Court of First Instance on 27 July 2016. Mr. Qin Jun subsequently filed an application to annul the bankruptcy order, however such application was dismissed by the Court of First Instance at a hearing on 10 April 2017 and costs relating to the application were ordered to be paid by Mr. Qin Jun to Win Wind Resources. On 5 May 2017, Mr. Qin Jun filed a Notice of Appeal with the Court of Appeal to appeal against the judgment made on 10 April 2017 by the Court of First Instance. The appeal was heard before the Court of Appeal on 15 August 2018 and it was dismissed with costs ordered to be paid by Mr. Qin Jun on an indemnity basis. On 12 September 2018, Mr. Qin Jun filed a Notice of Motion in the Court of Appeal for leave to appeal the judgement dated 15 August 2018 in the Court of Final Appeal. The application for leave was heard before the Court of Appeal on 16 November 2018 and it was dismissed with costs on an indemnity basis. On 14 December 2018, Mr. Qin Jun filed a Notice of Motion in the Court of Final Appeal for leave to appeal the judgment of the Court of Appeal. The Appeal Committee of the Court of Final Appeal by order dated 31 October 2019 dismissed Mr. Qin Jun's application for leave to appeal on the ground that it discloses no reasonable grounds for leave to appeal.

(c) Writs of Summons issued by Allied Weli Development Limited and John Howard Bachelor and Kenneth Fung as Joint and Several Liquidators (the "Liquidators of Allied Weli Development Limited")

Enerchine Corporate Finance Limited, Win Wind Capital Limited, Win Wind Investment (Holdings) Limited, Enerchine Nominee Limited and Win Wind Securities Limited, which as of the date hereof are wholly owned subsidiaries of the Company, have been named, inter alia, as defendants in two separate writ of summons in the High Court of Hong Kong (the "Writs") by the plaintiffs, Allied Weli Development Limited (in Liquidation) and John Howard Bachelor and Kenneth Fung as Joint and Several Liquidators (the "Liquidators") of Allied Weli Development Limited. The Liquidators have not served the Writs on the Defendant Parties. On 2 February 2018, the Group, through its legal advisors, requested the Liquidators to (i) serve the Writs of Summons on the Defendant Parties by 20 February 2018 as required under the Rules of the High Court (Order 12, rule 8A) or (ii) to discontinue the Writs against the Defendant Parties. On 15 February 2018, the Group received a letter from the Liquidator's lawyers stating, inter alia, that the Liquidators may ultimately decide not to pursue a claim against the Defendant Parties at all. As the Writs have not been served on the Defendant Parties, accordingly no provision has been made in the consolidated financial statements for the ended 31 December 2019. However, the management of the Company considers the Writs are not only groundless but the Liquidator's actions are a flagrant and calculated abuse of the law, designed solely to drag the Group's good name and good will through the Hong Kong Courts in the hopes of profiting. In the circumstances the management of the Company is considering countersuits against the Liquidators for damages and costs, however, the COVID-19 pandemic has delayed our actions thus far.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: HK$0.015 per share).

An interim dividend of HK$0.005 per share for the six months ended 30 June 2019 was paid on 30 September 2019, amounting to approximately HK$29.1 million.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2020 annual general meeting ("AGM") of the Company is scheduled to be held on Friday, 5 June 2020. The notice of AGM will be published on the Company's website at www.oshidoriinternational.com and the designated website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkexnews.hk in due course.

For determining the qualification as members of the Company to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020, both days inclusive, during which period no transfers of shares will be registered. In order to qualify as members to attend and vote at the AGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed approximately 39 full time employees for its principal activities. The Group recognises the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sam Nickolas David Hing Cheong, aged 38, has been appointed as an executive director and a member of the nomination committee of the Company since March 2012, and a member of the remuneration committee and the acting chairman of the Company respectively since 15 June 2016 and 5 April 2017. Mr. Sam was re-designated as chairman of the Company on 28 January 2019. Mr. Sam was formerly the chief executive officer of the Company from 27 March 2012 to 6 April 2017. He holds a Bachelor of Laws with Honours and a Bachelor of Arts from the University of Waikato, New Zealand. Mr. Sam is admitted as a solicitor in the jurisdictions of England and Wales, the British Virgin Islands, New Zealand, and also as an attorney in the Republic of the Marshall Islands. Save as disclosed above, Mr. Sam has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

Mr. Wong Yat Fai, aged 60, has been appointed as an executive director of the Company since 19 April 2017. He holds a professional diploma in banking from The Hong Kong Polytechnic University. Mr. Wong has over 13 years of working experience in an international banking group. He was an executive director of Imagi International Holdings Limited (Stock Code: 585) for the period from 28 January 2016 to 9 April 2017, an executive director of Central Wealth Group Holdings Limited (formerly known as China Soft Power Technology Holdings Limited, Stock Code: 139), a non-executive director of Y. T. Realty Group Limited (Stock Code: 75) and C C Land Holdings Limited (Stock Code: 1224) and an independent non-executive director of CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited, Stock Code: 1141). Save as disclosed above, Mr. Wong has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

Ms. Wong Wan Men, Margaret, aged 35, was appointed as an executive director of the Company with effect from 28 January 2019. She holds a Bachelor of Social Science in Economics with Honours from the Chinese University of Hong Kong. She has over 10 years' extensive experience in corporate finance advisory. Prior to joining the Group, she held senior positions in the corporate finance advisory division of several financial services groups in Hong Kong. Currently, she serves as a managing director of Win Wind Capital Limited which is the holding company of the Company's financial services group and a director of various subsidiaries within the Group. She is also a responsible officer for type 1 (dealing in securities) regulated activities and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO"). She is familiar with the operation and management of the Company and provides corporate finance advice to the Group. Her contributions to financial services business of the Group have been greatly valued by the Board and she is promoted to take up the role of executive director of the Company. Save as disclosed above, Ms. Wong has not held any directorship in other listed public companies in the last three years in Hong Kong or overseas.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Hon. Joseph Edward Schmitz, aged 63, has been appointed as a non-executive director of the Company since 17 January 2020. He is currently the Chief Legal Officer for PACEM Solutions International LLC. He served as a foreign policy/national security advisor to Donald J. Trump from March 2016 through the November 2016 election. His prior government service in the United States ("U.S.") includes service as the 5th Senate-confirmed Inspector General of the Department of Defense from April 2002 to September 2005. For his service as Inspector General, Hon. Schmitz was awarded the Department of Defense Medal for Distinguished Public Service, the highest honorary award presented by the Secretary of Defense to non-career federal employees.

Prior to his service as Inspector General of the Department of Defense, Hon. Schmitz was a Partner in the international law firm of PATTON BOGGS LLP, serving as head of the Aviation Practice Group, and at the same time a Captain in the U.S. Naval Reserves, serving as Inspector General of the Naval Reserve Intelligence Command. After his Inspector General service, Hon. Schmitz served as Chief Operating Officer and General Counsel of THE PRINCE GROUP in McLean, Virginia, after which he served as Managing Director in the Washington D.C. Office of FREEH GROUP INTERNATIONAL. In October 2014, Hon. Schmitz co-founded the McLean, Virginia, law firm of SCHMITZ & SOCARRAS LLP. His pre-Inspector General public service included: 27 years of naval service, first on active duty and then as a reserve officer; law clerk to the Honorable James L. Buckley, Circuit Judge, U.S. Court of Appeals for the D.C. Circuit; and Special Assistant to the Attorney General of the United States, the Honorable Edwin Meese III.

Hon. Schmitz graduated with distinction from the U.S. Naval Academy in 1978, and received his Doctor of Jurisprudence from Stanford University in 1986. He is a Senior Fellow for the Center for Security Policy. Hon. Schmitz has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wing Ping, aged 53, has been appointed as an independent non-executive director of the Company, a member of nomination committee and the member and chairman of audit committee and remuneration committee of the Company since 21 May 2015. He has over 20 years of experience in auditing and accounting fields. He holds a Bachelor's degree in Accountancy with honours from City University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung is currently an independent non-executive director of China Touyun Tech Group Limited (Stock Code: 1332) and China Shandong Hi-Speed Financial Group Limited (Stock Code: 412), all of which are publicly listed companies in Hong Kong. Mr. Cheung was formerly an executive director of Mason Group Holdings Limited (formerly known as Willie International Holdings Limited, Stock Code: 273) from 1 July 2013 to 7 September 2016 and an independent non-executive director of Freeman FinTech Corporation Limited (formerly known as Freeman Financial Corporation Limited, Stock Code: 279) from 7 August 2013 to 9 September 2019, which is publicly listed company in Hong Kong. Save as disclosed above, Mr. Cheung has not held any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hung Cho Sing, aged 79, has been appointed as an independent non-executive director and a member of each of audit committee, remuneration committee and nomination committee of the Company since 6 April 2017. He has over 30 years of experience in the film distribution industry. Mr. Hung was the founder and general manager of Delon International Film Corporation since June 2004. Mr. Hung is currently the Chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the Government of Hong Kong in 2005. Mr. Hung was an independent non-executive director of Freeman FinTech Corporation Limited (formerly known as Freeman Financial Corporation Limited, Stock Code: 279) from 9 January 2013 to 24 January 2017 and a non-executive director of Universe Entertainment and Culture Group Company Limited (stock code: 1046) from February 2019 to 30 July 2019. Currently, Mr. Hung is an independent non-executive director of China Star Entertainment Limited (stock code: 326), an independent non-executive director of Unity Investments Holdings Limited (stock code: 913), an independent non-executive director of KOALA Financial Group Limited (stock code: 8226), an independent non-executive director of Miko International Holdings Limited (stock code: 1247), and an executive director of the board of directors of EJE (Hong Kong) Holdings Limited (stock code: 8101). Save as disclosed above, Mr. Hung has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

Mr. Chan Hak Kan (B.B.S., J.P.), aged 43, has been appointed as an independent non-executive director and a member of each of audit committee, remuneration committee and nomination committee of the Company since 6 April 2017. He graduated from The Chinese University of Hong Kong with a Bachelor of Social Science Honour (Government and Public Administration) degree in December 1997 and a Master of Social Science (Law and Public Affairs) degree in December 2003. Mr. Chan has been a member of each of the Legislative Council of Hong Kong, the Beat Drugs Fund Association Governing Committee, the Advisory Board of Tung Wah Group of Hospitals and the Advisory Committee on Corruption of the Hong Kong Independent Commission Against Corruption respectively since October 2008, July 2012, October 2016 and January 2017. In 2012, Mr. Chan was appointed as a Justice of the Peace by the Chief Executive of Hong Kong. Mr. Chan is currently an independent non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited (stock code: 8328) and an independent non-executive director of Imagi International Holdings Limited (stock code: 585). Save as disclosed above, Mr. Chan has not held any directorships in public companies the securities of which are listed on any securities exchange in Hong Kong or overseas in the past three years.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position as well as the outlook of the Company's business are provided in the "Chairman's Statement" and "Management Discussion and Analysis" from pages 3 to 4 and pages 5 to 13 of this Annual Report respectively. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on page 150 of this Annual Report. Description of the principal risks and uncertainties facing the Group can be found throughout this Annual Report particularly in note 38 to the consolidated financial statements and the "Management Discussion and Analysis" on pages 5 to 13 of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's businesses are mainly carried out by the Company's subsidiaries established in Hong Kong, the British Virgin Islands, the Marshall Islands and the PRC while the Company itself is incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Bermuda, the PRC, the British Virgin Islands, the Marshall Islands and Hong Kong.

During the year ended 31 December 2019 and up to the date of this Annual Report, we have complied with all the relevant rules, laws and regulations in Bermuda, the PRC, the British Virgin Islands, the Marshall Islands and Hong Kong that have a significant impact on the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As the Group principally engages in financial services sector, the Group has always paid great attention to and maintained a good relationship with, and has been providing quality professional and customer-oriented services for customers. Since the nature of business of the Group, no specific suppliers will be involved in the operation of business. The aforementioned customers are good working partners creating value for the Group. The Group also values the knowledge and skills of its employees, and continues to provide favourable career development opportunities for its employees.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: HK$0.015 per share).

PROPERTY AND EQUIPMENT

Details of the movements in the property and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 62.

DIRECTORS

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

Executive Directors:
Mr. SAM Nickolas David Hing Cheong *(Chairman)*
Mr. WONG Yat Fai
Ms. WONG Wan Men Margaret (Appointed on 28 January 2019)
Mr. CHOW Chi Wah Vincent (Resigned on 29 October 2019)

Non-executive Director:
Hon. SCHMITZ Joseph Edward (Appointed on 17 January 2020)

Independent Non-executive Directors:
Mr. CHEUNG Wing Ping
Mr. HUNG Cho Sing
Mr. CHAN Hak Kan

In accordance with Bye-law 84(1) of the Bye-laws, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

Pursuant to Bye-law 83(2) of the Bye-laws, any Director appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting. Accordingly, Hon. Joseph Edward Schmitz, being such a newly appointed Director shall hold office until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

Pursuant to Bye-law 84(2), retiring Directors shall be eligible for re-election and the Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall include those other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree amongst themselves) be determined by lot. Accordingly, Messrs. Sam Nickolas David Hing Cheong and Cheung Wing Ping, being the Directors longest in office since their last re-election or appointment, shall retire by rotation at the AGM and, being eligible, would offer themselves for re-election at the AGM.

REPORT OF THE DIRECTORS

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of Independent Non-executive Directors to be independent.

No Directors proposed for re-election at the forthcoming AGM have a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN SHARE OPTIONS

As at 31 December 2019, none of the Directors and chief executives of the Company had, nor were they taken to or deemed to have under (a) divisions 7 to 9 of Part XV of the Securities and Futures Ordinance (the "SFO"), to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

At no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of shares in or warrants or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries or holding company or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES OF THE COMPANY

(A) The Company adopted a share option scheme on 24 May 2002 (the "2002 Share Option Scheme"), which had a life of 10 years and was terminated at the annual general meeting of the Company held on 17 May 2012.

No further options shall thereafter be offered under the 2002 Share Option Scheme but the options, which had been granted during its life, shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect.

As at 31 December 2019 and the date of this report, the Company had no underlying shares comprised in options outstanding under the 2002 Share Option Scheme.

REPORT OF THE DIRECTORS

(B) A new share option scheme was adopted by shareholders of the Company on 17 May 2012 (the "2012 Share Option Scheme"), under which the Board may, of its discretion, offer any employees of the Group or any Directors of the Company or any of its subsidiaries or any eligible participant including, but not limited to any person being invested entity (including independent non-executive directors of the Group or any invested entity) and any suppliers, consultants or advisors who will provide or have provided services to the Group or any invested entity options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme has a life of 10 years.

The following table discloses movements in the Company's share options granted under the 2012 Share Option Scheme during the Year:

Grant Date	Outstanding at 1.1.2019	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2019
29.3.2019	–	72,000,000	–	–	72,000,000
Total for Other Participants	–	72,000,000	–	–	72,000,000

Notes:

1. The validity period of the share options is from 29 March 2019 to 28 March 2029 (both dates inclusive).

2. During the year, 72,000,000 options were granted under the 2012 Share Option Scheme but no options were exercised, lapsed or cancelled.

Additional information in relation to the Company's Share Option Schemes are set out in note 32 to the consolidated financial statements.

SHARE AWARD SCHEME OF THE COMPANY

The 2019 Share Award Scheme was adopted by the shareholders at the special general meeting of the Company held on 19 December 2019.

The major terms of the 2019 Share Award Scheme are summarised as follows:

(A) Purpose

The purpose of the 2019 Share Award Scheme is to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group's existing and newly potential business including integrated resort development and to attract suitable personnel with relevant experience in the Group's existing and newly potential business including integrated resort development.

(B) Eligible Participants

The eligible participants, any employee (whether full time or part time), consultant, executive or officers, directors (including any executive director, non-executive director and independent non-executive director) and senior management of any member of the Group, who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group.

REPORT OF THE DIRECTORS

(C) Grant of Awards

The Board may from time to time, at its absolute discretion select any eligible participant (excluding any excluded participant) for participation in the 2019 Share Award Scheme as a selected grantee and grant such number of awarded shares to any selected grantee and in such number and on and subject to such terms and conditions as the Board may in its absolute discretion determine.

The Board has an overriding power at all times to refuse to issue any awarded shares in circumstances including if the Board considers that issuing such awarded shares may breach or contravene any law, rule or regulation.

(D) Maximum Number of Shares to be Awarded

The Board shall not make any further grant of awarded shares which will result in the total number of shares awarded by the Board under the 2019 Share Award Scheme exceeding 10% of the issued share capital of the Company as at the Adoption Date.

Subject to the aforesaid scheme limit, the maximum number of awarded shares which may be awarded by the Board in any financial year shall not be more than 3% of the issued share capital of the Company ("Annual Limit") provided that if the Annual Limit is not fully utilised in any financial year, further awarded shares may be awarded by the Board in subsequent financial year(s) up to such Annual Limit. The Annual Limit may be refreshed by shareholders who are permitted under the Listing Rules to vote at a general meeting of the Company so that the Annual Limit so refreshed shall not exceed 3% of the issued share capital of the Company as at the date of the general meeting approving such refreshment.

(E) Limit for Each Participant

The maximum aggregate number of the shares which may be awarded to a selected grantee under the 2019 Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

(F) Termination

The 2019 Share Award Scheme shall terminate on the earlier of the tenth (10) anniversary date of the Adoption Date or such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of Selected Grantees.

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any Director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed, no transactions, or arrangements or contracts of significance to which the Company, its subsidiaries or holding company or fellow subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to "Share Option Schemes of the Company" and "Share Award Scheme of the Company", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

The Bye-Laws of the Company provides that for the time being acting in relation to any of the affairs of the Company, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done about the execution of duties of his office or otherwise in relation thereto.

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

CONNECTED TRANSACTIONS

During the year, there were no transactions which need to be disclosed as connected transaction pursuant to Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 36 to the consolidated financial statements. Those related party transactions did not constitute connected transactions under the Listing Rules.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

The register of the interests and short positions maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued shares of the Company as at 31 December 2019:

Name of substantial shareholder	**Capacity**	**Number of Issued ordinary shares held**	**Approximate percentage of the issued share capital of the Company**
Peak Trust Company – NV	Beneficial owner	1,151,976,600	19.82
VMS Investment Group Limited	Beneficial owner *(Note)*	573,003,000	9.89

Note: Ms. Mak Siu Hang, Viola holds 100% of the equity interest in VMS Investment Group Limited ("VMS"). Therefore, Ms. Mak Siu Hang, Viola is deemed to be interested in all these 573,003,000 shares of the Company which are owned by VMS under SFO.

Save as disclosed above, as at 31 December 2019, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for about 65.7% of the Group's revenue from continuing operations, excluding revenue from securities trading and investments. Sales to the largest customer accounted for 23.4% of the Group's revenue from continuing operations, excluding revenue from securities trading and investments.

As the Group had no significant purchases from continuing operations during the year, the information on major suppliers is not present.

At no time during the year, did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's shares) have an interest in the largest customer or any of the five largest suppliers of the Group for the year ended 31 December 2019.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$150,000.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Remuneration Committee will make recommendation to the Board on the emoluments of the Directors.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company adopted all the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices.

During the year, the Company has complied with the code provisions as set out in the Code. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 25 to 36 of this Annual Report.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The annual results of the Group for the year ended 31 December 2019 had been audited by the Company's auditor, Mazars CPA Limited, and had been reviewed by the Audit Committee.

Details of the Company's Audit Committee are set out in Corporate Governance Report on pages 31 to 32 of this Annual Report.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2019.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by Mazars CPA Limited. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited.

On behalf of the Board
Oshidori International Holdings Limited

SAM Nickolas David Hing Cheong
Chairman
Hong Kong, 23 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Oshidori International Holdings Limited is dedicated to maintaining good and credible corporate governance practices with a view to being transparent, open and accountable to our shareholders, as well as to the stakeholders.

STATEMENT OF COMPLIANCE

During the year, all the code provisions set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Listing Rules were complied by the Company, except for the deviation from Code provision A.5.5 ("A.5.5") which came into effect on 1 January 2019.

A.5.5 provides that where the board proposes a resolution to elect an individual as an independent non-executive director ("INED") at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting, amongst others, the reasons why the board believes the individual would still be able to devote sufficient time to the board, if the proposed INED will be holding their seventh (or more) listed company directorship.

As set out in the Company's circular dated 24 April 2019 ("Circular"), the Company proposed the re-election of Mr. Hung Cho Sing as an INED of the Company, of which details of his directorships at other listed company were disclosed in the Circular. As at the date of the Circular, Mr. Hung was at the time a director of seven listed companies (including the Company). At the date of Mr. Hung's re-election as an INED of the Company, he was also a non-executive director of Universe Entertainment and Culture Group Company Limited ("Universe"). The Circular did not set out in accordance with A.5.5 why Mr. Hung would be able to devote sufficient time to the Board as a result of administrative oversight. Subsequently, the Company made an announcement on 28 June 2019 ("28 June Announcement") clarifying the reasons for the Board's view that Mr. Hung was able to devote sufficient time to the Board due to his re-designation at Universe as well as his extensive prior experience and practical knowledge gained from serving as a director for several listed companies. Mr. Hung eventually tendered his resignation as the non-executive director of Universe with effect from 31 July 2019 and no longer holds any position in Universe. The 2019 Interim Report did not set out the reasons for the deviation from A.5.5, because in addition to making the 28 June Announcement, the Company proceeded to re-elect Mr. Hung in the Circular and Mr. Hung's re-election was approved by the Shareholders at the Company's annual general meeting in 2019. Accordingly, the Board and the Shareholders all considered Mr. Hung would still be able to devote sufficient time to the board of the Company at material time. As at the date of this report, Mr. Hung holds directorship at six listed companies including the Company and he is able to devote sufficient time to the Board.

BOARD OF DIRECTORS

Composition

As at the date of this Annual Report, the Board comprises 7 members (each member of the Board, a "Director"), including three Executive Directors, namely Mr. Sam Nickolas David Hing Cheong, Mr. Wong Yat Fai and Ms. Wong Wan Men Margaret, one Non-executive Director namely, Hon. Joseph Edward Schmitz appointed on 17 January 2020 and three Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan representing at least one-third of the Board. One of the Independent Non-executive Directors have appropriate professional accounting experience and related financial management expertise. There is no financial, business, family or other material relationship between any members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed in pages 14 to 16 of this Annual Report.

Each Independent Non-executive Director has confirmed that he is independent of the Company pursuant to Rule 3.13 of the Listing Rules and the Company also considers that they are independent.

CORPORATE GOVERNANCE REPORT

Pursuant to the Bye-laws, the Directors retire on a rotational basis at least once every three years at the annual general meeting of the Company and are eligible for re-election. In addition, any Director appointed by the Board during a year, whether to fill a casual vacancy or as additional member to the Board, shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at that meeting.

The term of office of each Non-executive Director or Independent Non-executive Director is for a period of 1 year, from 1 January 2019 to 31 December 2019, subject to retirement by rotation and re-election in accordance with the Bye-laws.

In accordance with Bye-laws 84(1) and 84(3) of the Bye-laws of the Company, Mr. Sam Nickolas David Hing Cheong, Hon. Joseph Edward Schmitz and Mr. Cheung Wing Ping will retire by rotation at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election threat.

Changes in information in respect of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by directors pursuant to paragraph (a) to (e) and (g) of Rule 13.51(2) between 28 August 2019 (being the date of approval of the Company's 2019 Interim Report) and 23 March 2020 (being the date of approval of this Annual Report) of the Company are set out below:

1. Mr. Cheung Wing Ping resigned as an independent non-executive director of Freeman FinTech Corporation Limited with effect from 9 September 2019;

2. Mr. Chow Chi Wah Vincent resigned as an executive director, a managing director, a company secretary and an authorized representative of the Company with effect from 29 October 2019; and

3. Hon. Joseph Edward Schmitz has been appointed as a non-executive director of the Company with effect from 17 January 2020.

Responsibilities of the Board and Management

The Board, headed by the Chairman, is responsible for providing high-level guidance and effective oversight of the management of the Company, and formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend, and supervision of management in accordance with the regulations governing the meetings of the Board and the Bye-laws.

After the resignation of the Managing Director in October 2019, other Executive Directors are responsible for day-to-day management of the Company's operations. They conduct meetings with the management of the Group, at which operational issues and financial performance are evaluated.

The Company considers the essential of internal control system and risk management function and the Board plays an important role in the implementation and monitoring of internal control and risk management.

Matters specifically decided by the Board and those reserved for the management, such as daily management administration and operation of the Company, etc., are reviewed by the Board. The management shall report back to the Board. The procedure to enable Directors to seek independent professional advice in appropriate circumstances, at the Company's expenses, was established.

CORPORATE GOVERNANCE REPORT

The Bye-laws contain provisions regarding responsibilities and operational procedures of the Board. The Board meets regularly at least four times a year considers operational reports of the Company and policies and financial results of the Company. Significant operational policies have to be discussed and passed by the Board.

During the year 2019, the Board held 2 regular Board meetings (within the meaning of the Code) at approximately quarterly intervals, 12 Board meetings which were convened as necessary. Due notice and the Board papers were given to all Directors prior to each regular meeting in accordance with the Code and the Bye-laws. An annual general meeting and a special general meeting were also held during the year. Details of individual attendance of Directors are set out below:

	No. of regular Board meetings attended	No. of other Board meetings attended	No. of general meetings attended
Executive Directors			
Sam Nickolas David Hing Cheong *(Chairman)*	2	11	3
Wong Yat Fai	2	11	3
Wong Wan Men Margaret *(appointed on 28 January 2019)*	2	12	3
Chow Chi Wah Vincent *(resigned on 29 October 2019)*	2	9	2
Non-executive Director			
Joseph Edward Schmitz *(appointed on 17 January 2020)*	N/A	N/A	N/A
Independent Non-executive Directors			
Cheung Wing Ping	2	7	3
Hung Cho Sing	2	7	3
Chan Hak Kan	2	7	3

Directors' Induction and Continuous Professional Development

On appointment to the Board, each newly appointed Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written materials to develop and refresh their professional skills; the Company also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Company organised for the Directors and management an in-house workshop on the Listing Rules, the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, Share Buy-Back Rules and the Code on Takeovers and Mergers.

CORPORATE GOVERNANCE REPORT

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code on continuous professional development during the year:

	Corporate Governance/ Updates on laws, rules and regulations	
	Read materials	**Attend briefings/ in-house workshop**
Executive Directors		
Sam Nickolas David Hing Cheong *(Chairman)*	✓	✓
Wong Yat Fai	✓	✓
Wong Wan Men Margaret *(appointed on 28 January 2019)*	✓	✓
Chow Chi Wah Vincent *(resigned on 29 October 2019)*	✓	✓
Non-executive Director		
Joseph Edward Schmitz *(appointed on 17 January 2020)*	N/A	N/A
Independent Non-executive Directors		
Cheung Wing Ping	✓	✓
Hung Cho Sing	✓	✓
Chan Hak Kan	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year, the roles of the Chairman and Chief Executive are performed by different individuals. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each other.

The Chairman provides leadership for the Board and oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development. During the year, the Chairman had met the Independent Non-executive Directors without the presence of Executive Directors.

After the resignation of the Managing Director in October 2019, other Executive Directors are responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and for maintaining an effective executive support team. They are accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.

CORPORATE GOVERNANCE REPORT

Responsibilities of Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Group. Their responsibilities include:

– attending regular board meetings and focusing on business strategy, operational issues and financial performance;

– active participation on the respective boards of directors of the subsidiaries and associated companies of the Company;

– approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;

– monitoring the quality, timeliness, relevance and reliability of internal and external reporting;

– monitoring and managing potential conflicts of interest of senior management, Board and shareholders of the Company;

– consideration of misuse of corporate assets and abuse in related party transaction; and

– ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfill their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the Code:

– to develop and review the Company's policies and practices on corporate governance;

– to review and monitor the training and continuous professional development of Directors and senior management;

– to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

– to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

During the year, the Board considered the following corporate governance matters:

– review of the policies and practices adopted by the Company, trainings for directors and senior management, and code of conduct and compliance manual, etc;

– review the continuing connected transactions and the annual cap; and

– review of the compliance with the Code and the disclosure of this report;

– review of the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee; and

– adoption of revised corporate governance practices relating to risk management system and internal audit function as well as amendments to the terms of reference of the Audit Committee to reflect the new requirement of risk management system.

Board Committees

A number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee, have been set up by the Company, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

Remuneration Committee

As at the date of this Annual Report, the Remuneration Committee comprises one Executive Director, Mr. Sam Nickolas David Hing Cheong, and three Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan and is chaired by Mr. Cheung Wing Ping.

The terms of reference of the Remuneration Committee comply with the Code which are posted on the website of the Company at www.oshidoriinternational.com.

The Remuneration Committee's responsibilities mainly include the reviewing, considering and making recommendation to the Board on (i) the Company's remuneration policy for Directors and senior management, (ii) remuneration packages for individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and (iii) remuneration of Independent Non-executive Directors etc.

During the year 2019, the Remuneration Committee:

– reviewed the remuneration policy for 2019/2020;

– reviewed the remuneration of executive directors, independent non-executive directors and management year-end bonus; and

– made recommendation to the Board on the above matters.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee held 2 meetings during 2019 with individual attendance as follows:

Members of Remuneration Committee	No. of meeting(s) attended
Sam Nickolas David Hing Cheong	2
Cheung Wing Ping	2
Hung Cho Sing	2
Chan Hak Kan	2

The remuneration of the members of the senior management by band for the year ended 31 December 2019 is set out below:

Remuneration bands (HK$)	Number of person(s)
Nil to 1,000,000	1
1,000,001 to 2,000,000	1
2,000,001 to 2,500,000	1

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

Audit Committee

As at the date of this Annual Report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan and is chaired by Mr. Cheung Wing Ping.

The Audit Committee reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor twice a year to discuss audit process and accounting issues, and reviews effectiveness of internal control and risk evaluation. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board.

During 2019, the Audit Committee:

– reviewed financial statements for the year ended 31 December 2018 and for the six months ended 30 June 2019;

– reviewed the effectiveness of the internal control system and risk management;

– reviewed the external auditor's audit findings;

– reviewed and approved remuneration of auditor for 2018 and recommended the reappointment of auditor;

– reviewed the continuing connected transactions and the annual cap; and

– reviewed the implementation of policy for employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

CORPORATE GOVERNANCE REPORT

As at 31 December 2019, the arrangement for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters was in place. No reporting has been received by Audit Committee during the year.

The Audit Committee held 2 meetings during the year. Details of individual attendance of its members are as follows:

Members of Audit Committee	No. of meeting(s) attended
Cheung Wing Ping	2
Hung Cho Sing	2
Chan Hak Kan	2

Nomination Committee

As at the date of this Annual Report, a Nomination Committee comprises one Executive Director, Mr. Sam Nickolas David Hing Cheong and three Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Hung Cho Sing and Mr. Chan Hak Kan and is chaired by Mr. Cheung Wing Ping.

The terms of reference of the Nomination Committee have complied with the Code which are posted on the website of the Company at www.oshidoriinternational.com.

The Nomination Committee's responsibilities mainly include the reviewing and recommending the structure, size and composition of the Board and recommending any change thereon; assessing the independence of Independent Non-executive Directors and recommending the re-election of Directors, etc.

During the year 2019, the Nomination Committee:

– reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;

– reviewed the board diversity policy;

– assessed the independence of Independent Non-executive Directors; and

– reviewed and made recommendations to the Board on re-election of retiring Directors at the 2019 annual general meeting.

CORPORATE GOVERNANCE REPORT

The Nomination Committee held 1 meeting during the year 2019 with individual attendance as follows:

Members of Nomination Committee	No. of meeting(s) attended
Cheung Wing Ping	1
Sam Nickolas David Hing Cheong	1
Hung Cho Sing	1
Chan Hak Kan	1

The Nomination Committee assessed the candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively as well as the independent factors set out in the Listing Rules, etc., and made recommendation to the Board for approval.

BOARD DIVERSITY POLICY

The Company formulated the board diversity policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company.

The Board recognizes the importance of having a diverse Board in enhancing the board effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities, etc of Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee has responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and reviewing effectiveness of the Board.

The Nomination Committee is also responsible for reviewing and reporting to the Board in relation to Board diversity.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates to join the Board will be, in part, dependent on the pool of candidates with the necessary knowledge, experience, skills, educational background and other qualities. The final decision will be based on merit and contribution the chosen candidate will bring to the Board.

The Board considers that Board diversity, including gender diversity, is a vital asset to the business.

At present, the Nomination Committee has not set any measurable objectives to implement the Board diversity policy. However, it will consider and review the Board diversity policy and setting of any measurable objectives from time to time.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2019, all Directors have complied with the required standard set out in the Model Code.

The Company has also established written guidelines regarding securities transaction on no less exacting than the terms of the Model Code for senior management and specific individual who may have access to inside information in relation to the securities of the Company.

EXTERNAL AUDITOR

Mazars CPA Limited ("Mazars") provided professional services in respect of the audit of the Company's consolidated financial statements prepared under HKFRSs for the year ended 31 December 2019.

Fee charged by Mazars in respect of audit service for the year 2019 amounted to HK$2,080,000. Non-audit services fees charged by Mazars were as follows:

Description of service performed	**Fee** *HK$'000*
Professional services in connection with the environmental, social and governance review	65
Professional services in connection with the interim review	315
Professional services in connection with the internal control review	240
Professional services in connection with Hong Kong Tax, Anti-Money Laundering Regulation and HKFRS 9 discussion session	130
Professional services in connection with handling tax enquiry	59
Professional services in connection with the tax compliance	171

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. During the year, the Audit Committee and the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management system and consideration of adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Based on the results of the review, the system was satisfactory with no major irregularities reported and the Group would take steps to further enhance the effectiveness of the internal control system.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for a foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Chow Chi Wah, Vincent ("Mr. Chow") has been the Company Secretary and an employee of the Group since 2016. On 29 October 2019, Mr. Chow resigned all the positions held within the Group and Ms. Liu Tsui Fong ("Ms. Liu") has been appointed as Company Secretary of the Company on the same day. The Company Secretary supports the Board by ensuring an unimpeded flow of information within the Board and that policies and procedures formulated by the Board are followed. Ms. Liu is responsible for advising the Board through the chairman and chief executive officer on governance matters and facilitates induction and professional development of the Directors.

The appointment and dismissal of the Company Secretary are subject to the Board's approval in accordance with the Bye-laws. Whilst the company secretary reports to the chief executive officer on the Group's company secretarial and corporate governance matters, all members of the Board have access to the advice and services of the company secretary.

The Company Secretary of the Company has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

A special resolution for the adoption of new bye-laws of the Company ("New Bye-laws") was duly passed at the special general meeting on 22 March 2019 to approve certain amendments to the existing bye-laws of the Company to, inter alia, reflect certain amendments to the Listing Rules and the laws of Bermuda and the Proposed Change of Company Name.

A copy of memorandum of association and New bye-laws of the Company is posted on the website of the Company at www.oshidoriinternational.com.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

Shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company signed and deposited in accordance with the Bye-laws and Bermuda Companies Act 1981, require the Directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals at general meetings

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 Shareholders may, at their expense, provide a written request to the attention of the company secretary of the Company signed and deposited in accordance with the Bermuda Companies Act 1981.

CORPORATE GOVERNANCE REPORT

(c) Communication with shareholders and investors

Shareholders are provided with detailed information about the Company in the announcement, annual/interim report and/or circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, various notices, announcements and circulars, to ensure the Shareholders are kept well informed of key business imperatives. Procedures for conducting a poll are explained by the chairman of the meeting at the general meetings of the Company held during the year.

General meetings of the Company provide a direct forum of communication between Shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the Chairman of the Board, or in his absence, an Executive Director of the Company, as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the Independent Board Committee, will commonly be present and available to answer questions and Shareholders may also contact the Company Secretary of the Company to direct their written enquiries.

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

At the 2019 Annual General Meeting, a resolution was proposed by the chairman of the meeting in respect of each separate issue itemised in the notice, including re-election of retiring Directors. The Chairman of the Board and certain members of all committees or their duly appointed delegates and representatives of Mazars attended the 2019 Annual General Meeting and answered questions from the Shareholders.

The Company also maintains a website at www.oshidoriinternational.com, where updates on the Company's business developments and operations, financial information and news can always be found.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Address: 25th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong
Fax: (852) 2704 2181
Email: info@oshidoriinternational.com

In addition, procedure for Shareholders to propose a person for election as a Director of the Company is available on the Company's website at www.oshidoriinternational.com. The above procedures are subject to the Bye-laws and applicable laws and regulations.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES IN PREPARING AND REPORTING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the loss and cash flows of the Group for the year. The statement of the auditor regarding reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 52 to 57.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Overview

This Environmental, Social and Governance (ESG) Report (the "Report") of Oshidori International Holdings Limited and its subsidiaries ("the Group") for the year ended 31 December 2019 covers environmental and social subject areas in accordance with the requirements of Environmental, Social and Governance Reporting Guide stated in Appendix 27 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Corporate governance is addressed separately in the Corporate Governance Report.

Scope of the Report

The Report endeavours to present a balanced representation of the Group's environmental and social performance and covers the entire operations of all subsidiaries in the Group.

The content of the Report is defined through a process to determine ESG management approach, strategy, priorities and objectives relating to the Group's operations, to describe our management, measurement and monitoring system employed to implement ESG strategy, and to disclose our key policies, compliance with relevant laws and regulations, our performance, and key performance indicators ("KPIs").

Approved by the board of directors

The board has overall responsibility for the Group's ESG strategy and reporting. The board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Report was approved by the board on 23 March 2020.

ENVIRONMENTAL AND SOCIAL SUBJECT AREAS OF THE GROUP

About the Group

The Group is principally engaged in investment holdings, trading and investment of securities, securities brokerage services, placing and underwriting services, corporate financial advisory services, margin financing services, money lending services and investment advisory and management services. The Group operates in Hong Kong. Particulars of the Group's principal entities are set out in note 42 to the consolidated financial statements for the year ended 31 December 2019.

Strategies

Environmental and social responsibilities are viewed as the Group's core commitment to environment, internal workplace, and external community, and an integral part of the Group's practice to create value for stakeholders. Our strategy is to fulfil the Group's environmental and social responsibilities through achieving environmental and social objectives during daily operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Objectives

We integrate environmental and social considerations into the Group's business objectives to achieve:

Environmental objectives:

- Add environmentally friendly elements to our daily service and operation activities;
- Reduce greenhouse gas emissions;
- Use energy and resources efficiently; and
- Continuously improve waste management

Social objectives:

- Respect employees' rights and promote an equal opportunity workplace;
- Commit to occupational safety and health, and provide a safe and healthy workplace;
- Commit to ethical business practices, and build integrity within the workplace; and
- Promote community participation

Approach

Monitored by the board of directors, the Group is executing its environmental and social strategy and achieving its related objectives through a series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Establish and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report our performance on a balanced picture;
- Disclose KPIs as measurement of actual results;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and social management system comprises:

- The direction from the board to fulfil the ESG responsibilities;
- Daily execution of environmental and social strategy and achieving its objectives by senior management;
- Performance and achievements done by employees in accordance with the Group's environmental and social policies;
- Compliance with environmental and social laws and regulations;
- Review and monitoring of ESG risks management and internal control systems by the board; and
- Reporting and disclosure of our performance and KPIs

Measures for the achievement of environmental and social objectives are:

- Environmental policies;
- Social policies;
- Checklists for the compliance with applicable environmental and social laws and regulations;
- Requiring documentation for the performance and accomplishment of environmental and social related activities or matters; and
- Data collection, calculation, and disclosure of KPIs

The implementation of environmental and social strategies, management of environmental activities, and measurement of achieving environmental and social objectives are monitored by dedicated managerial staff members and finally by the board for its overall ESG responsibility.

Stakeholder Engagement and Materiality

Stakeholder engagement is a key success factor in formulating our environmental and social strategy, defining our objectives, assessing materiality, and establishing policies. Our key stakeholders include customers, suppliers or service providers, employees, management, and shareholders. We have conducted a survey, discussed or communicated with stakeholders to understand their views and respond to their needs and expectations, evaluated and prioritised their inputs to improve our performance, and finally strived to provide value to our stakeholders, community and the public as a whole.

Based on the stakeholder engagement, we have identified issues with significant environmental and social impact and issues concerning stakeholders. The results of materiality assessment prioritised stakeholder inputs and made us focused on the material aspects for actions, achievements and reporting. We present below the relevant and required disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL DISCLOSURE AND KPIs

A. Environmental

The Group recognises the value of a practice to protect the natural environment for the benefit of humans. We are committed to doing everything we can to reduce the degrading of the biophysical environment.

Aspect A1: Emissions

Emissions refer to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Emissions disclosed as KPIs are calculated based on the consumption data collected and applicable emission factors.

- **Air and Greenhouse Gas Emissions**

  Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

  – ***Air and Greenhouse Gas Emissions from Production***

    In view of the Group's business nature, there were no air and greenhouse gas emissions from production.

  – ***Air and Greenhouse Gas Emissions from Vehicles and Yacht***

    The Group believes that green transportation brings benefits, which include reduction of transportation costs and reduction of energy consumption and pollution. As such, the Group encourages optimising transportation routes, high filling rate or carpooling and proper tire pressure to achieve efficiency.

    The Group reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse emissions. Employees are encouraged to take public transportation as often as possible and avoid excessive idling of automobile.

    KPI A1.1 Emissions from vehicles

	2019 (g)	2018 (g)
Types of emissions		
NO_x	1,235	1,179
SO_x	47	66
Particulate Matter ("PM")	91	87

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI A1.2 Greenhouse gas ("GHG") emissions in total

GHG emissions in total are 282 tonnes for the year ended 31 December 2019 (2018: 196 tonnes), which includes scope 1, scope 2, and scope 3 emissions as disclosed below. GHG intensity is 7.23 tonnes/per employee (2018: 4.90 tonnes/per employee).

KPI A1.2 Scope 1 – Direct emissions from operations that are owned or controlled by the Group

Main categories of Scope 1 emissions: GHG emissions from mobile combustion sources

	2019 (kg)	**2018** (kg)
Types of emissions		
Carbon Dioxide ("CO_2")	182,159	116,341
Methane ("CH_4")	220	147
Nitrous Oxide ("N_2O")	23,505	15,108
Total GHG emissions	205,884	131,596

– ***Indirect Greenhouse Gas Emissions from Electricity Consumption***

Electricity consumption of the Group is a major part of its greenhouse gas emissions. Various electricity-saving policies have been established to reduce the electricity consumption by the Group. The Group encourages staff members to switch off light during daytime, maintain lamps well to keep clean, and install energy-efficient lighting. Air conditioning is required to be set no lower than 25°C. It is also required to ensure the windows and doors are closed while air-conditioning is on, and turn off the air-conditioning after office hours or after the usage of a meeting room.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI A1.2 Scope 2 – Energy indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group

Main sources of Scope 2 emissions: Electricity purchased from power companies

	2019 (kg)	2018 (kg)
Types of emissions		
CO_2 equivalent emission	59,304	58,336
Total GHG emissions	59,304	58,336

– ***Indirect Greenhouse Gas Emissions from Paper Waste Disposed at Landfills***

In order to address indirect emissions relating to paper waste disposed at landfills, the Group encourages employees to apply computer technology such as emails and storage devices to reduce paper consumption, print on both sides of a sheet of paper, avoid unnecessary printing or copying on paper, and adjust documents and use space efficiency formats to optimise use of paper, and put recycling boxes near the photocopiers to collect single-sided paper for reuse and used double-sided paper for recycling.

To reduce paper usage, we have incorporated the principles of the "3Rs" (Reduce, Reuse, and Recycle) into our business activities. We target to establish a paperless office by using electronic administrative platforms and communication channels to our staff as well as customers whenever possible.

– ***Indirect Greenhouse Gas Emissions from Business Travel by Employees***

The Group constantly reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse gas emissions. Employees are encouraged to take public transportation as often as possible.

The Group recognises the severity of indirect greenhouse gas emissions from business travel by employees, and requires employees to utilise teleconference instead of overseas meetings and choose railway rather than airway for short distance travel to reduce the carbon footprint of business travel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI A1.2 Scope 3 – All other indirect emissions that occur outside the Group, including both upstream and downstream emissions

Activities from which indirect GHG emissions arise:

	2019 (kg)	2018 (kg)
• Paper waste disposed at landfills		
Types of emissions		
CO_2 equivalent emission	2,940	3,780
• Business air travel by employees		
Types of emissions		
CO_2 equivalent emission	13,766	1,937
Total GHG emissions	16,706	5,717

- **Discharges into Water and Land**
The Group requires that discharges, if any, into waterways and land must comply with relevant laws and regulations.

- **Generation of Hazardous Waste and Non-hazardous Waste**
Our internal guidance encourages employees to handle office waste generated in a proper and environmentally friendly manner.

  – ***Hazardous Waste***

  Hazardous wastes are those defined by national regulations. There was no significant hazardous waste generated in view of the Group's business nature.

  KPI A1.3 Total hazardous waste produced and intensity

  There was no significant hazardous waste generated in view of the Group's business nature.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

– ***Non-hazardous Waste***

We promote waste reduction practices including waste reduction at source, reuse, clean recycling, recover and reduction of disposal at landfills. Employees are encouraged to purchase supplies or equipment with longer life-span, to install recycling bins to collect recyclables, such as waste paper, glass or aluminium bottles, metal, and plastics, and to have recyclers to collect recyclables.

KPI A1.4 Total non-hazardous waste produced and the intensity

	2019 (Tonnes)	**2018** (Tonnes)
Non-hazardous waste produced – Landfill	0.96	0.96
	(Tonnes/per employee)	(Tonnes/per employee)
Non-hazardous waste intensity	0.025	0.024

KPI A1.5 Description of measures to mitigate emissions and results achieved

In accordance with policies stated above for the reduction of air and greenhouse gas emissions from vehicles, the Group adopts the following measures: control the numbers of vehicles owned by the Group; control the frequency of employees not to take public transportation for local business commuting; and control the volume of business travel by employees. We consider such measures had been achieved for the year ended 31 December 2019.

KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved

Non-hazardous wastes are preferred to be recycled, otherwise, they are sent for landfill. In accordance with policies stated above for the reduction of non-hazardous wastes, the Group adopts the following measures: control the commercial wastes generated by employees; control the waste of papers; control the volume of non-hazardous waste going direct to landfill without recycling. We consider such measures had been achieved for the year ended 31 December 2019.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2019, there were no confirmed non-compliance incidents or grievances in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect A2: Use of Resources

The Group recognises that efficient use of resources, including energy, water and other raw materials, in production, storage, transportation, buildings, electronic equipment, etc., is one of the significant aspects to protect environment.

- **Efficient Use of Energy**

  The Group established policies and procedures to reduce energy consumption in the facility, to assess the energy efficiency, to increase the use of clean energy, if possible, to set applicable targets to monitor energy consumption, and to ensure power is turned off when electrical appliances are not in use.

  Electricity is the primary resource we consumed in our daily operations. In order to reduce such consumption, we have established a policy to monitor the use of energy, promote the procurement of energy efficient equipment (such as appliances with Grade 1 Energy Label), and require our colleagues to adopt green office practices.

  KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity

	2019	2018
	(kWh in'000s)	(kWh in'000s)
Direct energy consumption by type		
Non-renewable fuel consumed	671	395
Electricity purchased for consumption	74	74
Total energy consumed	745	469
	(kWh in'000s/ per employee)	(kWh in'000s/ per employee)
Total energy consumption intensity	19	12

- **Water Consumption**

  The Group requires employees to reduce water consumption in the offices. For example, employees are encouraged to fully empty any containers before washing, to turn off water taps promptly, to check faucets and pipes for leaks, and to adopt water saving appliances.

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

  KPI A2.2 Water consumption in total and intensity

  As mentioned before, data for water usage is not available for the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI A2.3 Description of energy use efficiency initiatives and results achieved

The Group's ability to use energy efficiently can be revealed by its intention and measures for the reductions in energy consumption. Energy consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. fluctuations in energy supply and prices). The Group's policies and measures specific to managing energy use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2019.

KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved

The Group's ability to use water efficiently can be revealed by its intention and measures for the reductions in water consumption. Water consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. reliance on sources of water that may be considered sensitive due to their relative size or function; or status as a possibly rare, threatened, or endangered system; or to their possible support of a particular endangered species of plant or animal). The Group's policies and measures specific to water use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2019.

- **Efficient Use of Raw Material and Packaging Material**
  No significant raw material or packaging material waste was generated in view of the Group's business nature.

KPI A2.5 Total packaging material used for finished products and, if applicable, with reference to per unit produced

The disposal of products and packing materials at the end of a use phase is a steadily growing environmental challenge, tracking the use of packaging materials is to reduce, reuse and/or recycle the packaging materials. As mentioned above, no significant raw material or packaging material waste was generated in view of the Group's business nature.

Aspect A3: The Environment and Natural Resources
The Group is committed to reducing the operation impacts on environment and natural resources. Policies are established to consider the actual impacts on environment and natural resources and to reduce such impacts. We encourage environmental education and advocacy among employees to motivate environmentally responsible behaviour which helps fulfil the Group's commitment to minimising its adverse impacts on the environment.

KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them

We understand that our performance in respect of emissions, waste production and disposal, and use of resources impacts the environment, we endeavour to minimise such impacts, and communicate our environmental policies, measures, performance, and achievements to our stakeholders. No significant impacts on the environment and natural resources was caused in view of the Group's business nature. Policies and/or measures adopted in the year ended 31 December 2019 specific to managing potential impacts of activities on the environment and natural resources are mentioned above.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social

The Group strives to fulfil its social responsibilities as a corporate citizen of communities. We endeavour to establish harmonious relationship with our employees, customers, suppliers, and the communities. We care about the well-being and development of employees, ensure high standard of service responsibility, enhance transparent relationship with external parties, including customers, and contribute to our community development.

Employment and Labour Practices

Aspect B1: Employment

The Group established employment policies, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

- **Compensation and Dismissal**

  The Group offers competitive remuneration to attract and retain talented staff members. Remuneration packages are reviewed periodically to ensure consistency with employment market. Laws and regulations on minimum wage and statutory social benefits are required to be followed. Dismissal is required to comply with employment laws and regulations, and to follow the internal policies and procedures, including policy on prevention of dismissal purely on employees' gender, marital status, disability, age or family status.

  A share option scheme was adopted in 2012 for a purpose of providing incentives to directors and eligible employees to attract, retain and motivate eligible employees whose present and potential contributions are important to the success of the Group by offering them an opportunity to participate in the Group's future performance through the grant of share options.

- **Recruitment and Promotion**

  The Group attracts talent through fair, flexible and transparent recruitment strategy. Recruitment process includes application for recruitment, description of position, collection of job applications, interview, selection, approval, and job offering. Year-end bonuses and promotion opportunities are also provided to staff according to their individual and the Group's performance.

- **Working Hours, Rest Periods, Benefits and Welfare**

  Employees' working hours, rest periods, benefits and welfare, including mandatory provident fund, are required to be in compliance with employment or labour laws and regulations. Medical insurance is offered to our employees with reference to prevailing market practices.

- **Equal Opportunities, Diversity and Anti-discrimination**

  The Group is an equal opportunity employer. We endeavour to provide a fair workplace for employees and follow the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, or other measures of diversity.

  We respect every employee and embrace diversity of our workforce. We ensure equality during our recruitment, performance evaluation and promotion processes. Any kinds of discrimination, regardless of age, disability, sex, religion, race, pregnancy, and family status, are strictly prohibited in the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2019, there were no confirmed non-compliance incidents or grievances in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Aspect B2: Health and Safety

The Group is committed to maintaining a healthy and safe workplace for employees, and to preventing workplace injuries and illnesses.

- **Providing a Safe Working Environment**
  The Group requires entities to establish and document policies and procedures on safety for employees to follow, set targets for the safety of employees, monitor the safety performance against the targets periodically, and report any safety incidents to management.

  We are committed to maintaining a safe and hygienic workplace by regularly monitoring the physical conditions of our office and branches including with regards to cleanliness, indoor air quality, pest controls, security, fire precautions etc..

- **Protecting Employees from Occupational Hazards**
  One of the key factors for successfully protecting employees from occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group encourages such training to be delivered to employees. In addition, the Group has a comprehensive insurance plan in place providing medical benefits for all staff and covering accidents occurring in our premises. Health and safety incidents are reported to management and are promptly dealt with.

- **Work-life Balance**
  The Group supports employees to enjoy leisure and sports activities outside of workplace. We provide a family-friendly working environment and work-life balance to our employees.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2019, there were no confirmed non-compliance incidents or grievances in relation to providing a safe working environment and protecting employees from occupational hazards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect B3: Development and Training

The Group is committed to providing adequate training to our employees to improve their knowledge and skills for discharging duties at work. Training includes vocational training courses provided internally or externally.

- **Employee Development**

  The Group requires employees to attend internal and external training courses including employee continuing education to improve employees' knowledge and skills for their job positions.

- **Training Activities**

  Training and development courses are offered throughout the Group to upgrade employee skills and knowledge. Our training programs are tailored to the needs of different job functions to strengthen the skills and abilities of our employees. Training topics vary from updates on rules and regulations, technical knowledge, management skills to customer services standards. Furthermore, on-job training including coaching by supervisors, job rotation and shadowing, are offered to our staff in order to maintain and enhance our work quality. We also encourage our staff to discuss their learning plans with their supervisors during their performance evaluation process and we provide financial subsidies for employees to attend external training courses, where appropriate. During the year, all directors received the training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the code on continuous professional development.

Aspect B4: Labour Standards

The Group is committed to avoiding child and forced labour in the workplace.

- **Preventing Child and Forced Labour**

  The Group prohibits child labour. It requires human resource department and user departments to work together to prevent or identify child labour, and to ensure child labour is not in the workforce.

  We are committed to protecting human rights, to prohibiting forced labours, and to creating a workplace with respect, fairness, and free will for our employees.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**

  For the year ended 31 December 2019, there were no confirmed non-compliance incidents or grievances in relation to child and forced labour.

Operating Practices

Aspect B5: Supply Chain Management

Supply chain management is a key area of our business, which includes managing environmental and social risks of the supply chain. The Group requires suppliers to provide products and services for us with up-to-standard quality, health and safety to ensure compliance with environmental laws and regulations, and labour standards. The contracting for procurement of products and services is required to be based solely upon specification, quality, service, price, tendering, and applicable environmental and social considerations.

The Group requires impartial selection of suppliers and service providers, maximisation of competition in tendering process, approval of contract terms, compliance with laws and regulations, prevention and detection of bribery or fraud in the tendering and procurement process, and accomplishment of efficiency and cost saving in procurement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group established supply chain management policies and procedures, including assessment, selection, approval, procurement, and monitoring. We also consider suppliers' ESG performance as well as related qualifications including ISO 14001 and OHSAS 18001. In addition, we regularly evaluate suppliers' performance and require suppliers to take remedial measures where this performance is sub-standard. We even terminate our business relationships if suppliers fail to meet our quality standards. Our suppliers are also required to strictly comply with all applicable laws and regulations.

Aspect B6: Product Responsibility
Product responsibility refers to health and safety, advertising, labelling and privacy matters relating to services provided.

- **Health and Safety**
  The Group is fully responsible for our services. We ensure health and safety relating to our services provided. We strictly follow the internal policies and regulatory requirements when delivering our services and regularly review our services quality and seek customer feedback to identify areas of improvement. Apart from complying with regulations relating to custody of customer assets, we protect our clients' assets by adopting adequate controls such as maintaining designated trust accounts to manage customers' funds, which are audited regularly by independent accountants.

- **Advertising**
  The Group respects our customers' rights and is committed to providing accurate service information for customers in connection with their purchase decision. The Group requires careful review of advertising material to protect customers' interest.

- **Labelling**
  The Group requires that labelling is accurate, legitimate, clear, and not misleading, and intellectual property rights are protected. In our daily operations, we explain to our customers the underlying risks derived from our financial products and facilitate their financial decision-making process. We ensure that the information and marketing materials we provided do not contain any misleading content, and perform preventive measures, including implementation of "Know-Your-Customers" procedures, to protect customers' interests more effectively.

- **Privacy Matters**
  The Group is committed to protecting customer data and privacy information, and keeping business information confidential. Training to employees in this regard and proper information system security are required.

  We acknowledge the importance of protecting the privacy and confidentiality of our customers' information. An internal policy which governs the collection, handling, and disclosure of clients' data has been developed and communicated to our staff. Pursuant to Personal Data (Privacy) Ordinance, the Group has prohibited the use of any personal information of clients by other parties for direct marketing purposes if unlawful or without explicit and implicit consent of clients.

- **Methods of Redress**
  Although we ensure the quality of our services, at the same time, the Group requires that services with quality, safety, or health issues should be compensated in accordance with terms of service agreements. Compensation is required to be offered to all customers who are affected with consistent treatment and procedures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2019, there were no confirmed non-compliance incidents or grievances in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Aspect B7: Anti-corruption

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. The Group encourages employees, customers, suppliers, or other parties to report incidents relating to any conflicts of interest, bribery, extortion, fraud and money laundering.

Our expectations on employees' ethical requirements and conduct are stipulated in our Employee Handbook, which is distributed and communicated to all employees. The Group has established a whistle-blowing channel to enable staff to report on suspicious misconducts. Reports made are followed up and investigated by independent personnel on a timely basis. In addition, trainings are regularly provided to management and employees in order to equip them with an understanding of the latest regulations and best practices relating to anti-bribery, extortion, fraud, and money-laundering matters.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**
  For the year ended 31 December 2019, there were no confirmed non-compliance incidents or grievances in relation to bribery, extortion, fraud and money laundering.

Community

Aspect B8: Community Investment

The Group endeavours to support the communities in which we operate including community engagement to understand the needs of communities, and to ensure the Group's activities take into consideration of the communities' interest.

- **Labour Needs**
  The Group strives to enlarge the business operation so that we can hire more workers to utilize communities' available labour resources.

- **Community Activities**
  We encourage our employees to participate in community activities, such as community health initiatives, sports, cultural activities, volunteer work, and charitable events.

- **Environmental Protection**
  All employees of the Group are encouraged to participate in environmental protection activities and raise the environmental awareness of people in the communities.

INDEPENDENT AUDITOR'S REPORT

MAZARS CPA LIMITED
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TO THE MEMBERS OF OSHIDORI INTERNATIONAL HOLDINGS LIMITED
(formerly known as Enerchina Holdings Limited)
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Oshidori International Holdings Limited (formerly known as Enerchina Holdings Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 58 to 149, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters

How our audit addressed the key audit matters

Valuation of unlisted financial assets designated at fair value through other comprehensive income ("Designated FVOCI")

As at 31 December 2019, the Group has unlisted Designated FVOCI of approximately HK$749,471,000 which is stated at fair value based on valuations carried out by independent qualified professional valuer (the "Valuer").

We identified the valuation of unlisted Designated FVOCI as a key audit matter due to the significance of carrying amounts to the consolidated financial statements and the significant judgement associated with determining the fair value.

Details of the related disclosures of unlisted Designated FVOCI are set out in notes 4, 17 and 39 to the consolidated financial statements.

Our key procedures in relation to management's assessment on the valuation of unlisted Designated FVOCI included:

- Evaluating the competence, capabilities and objectivity of the Valuer;
- Obtaining an understanding of the valuation process and techniques adopted by the Valuer;
- Evaluating and challenging the appropriateness of the model used by the Valuer to calculate the fair value;
- Challenging the reasonableness of key assumptions and variables based on our knowledge of the business and industry; and
- Obtaining the valuation reports to assess the reasonableness of any significant unobservable input and the accuracy of the source data adopted by the management and the Valuer.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matters
Loss allowance for expected credit loss ("ECL") on loan and interest receivables from money lending business	
We identified the loss allowance for ECL on loan and interest receivables from money lending business as a key audit matter due to the application of significant judgement by the management in evaluating the recoverability and credit worthiness of the borrowers. Management assessed the provision for ECL of loan and interest receivables based on probability-weighted estimate of credit losses over the expected life of these receivables and where there are any events or changes in circumstances indicate a detrimental impact on the estimated future cash flows of these balances. In particular, as detailed in note 38 to the consolidated financial statements, the Group has concentration of credit risk as the exposure of the largest client and the five largest clients represents 29% and 66% of the total loans to money lending clients as at 31 December 2019 respectively. As any impairment of such receivables will have a significant impact on the Group's financial position and financial performance, we consider impairment assessment of such receivables as a key audit matter. The carrying value of the loan and interest receivables from money lending business was approximately HK$524,091,000 as at 31 December 2019, in respect of which loss allowance of approximately HK$102,376,000 on ECL has been made as of 31 December 2019. Further details are set out in notes 4, 21 and 38 to the consolidated financial statements.	Our key audit procedures in relation to management's recoverability assessment of loan and interest receivables from money lending business included: • Understanding, through enquiry with the management, the established policies and procedures on credit risk management of receivables from money lending business; • Assessing and evaluating the design of controls with respect to the identification of receivables with overdue or default payments or insufficient collateral; and • Assessing management's judgement over the ECL and creditworthiness of the borrowers by assessing the available information, such as background information of the borrowers, recoverable amount of securities collateral, past collection history of borrowers, concentration risk of borrowers, the Group's actual loss experience and subsequent settlement of the loan and interest receivables.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2019 annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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.

Those charged with governance are 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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 23 March 2020

The engagement director on the audit resulting in this independent auditor's report is:
Chan Wai Man
Practising Certificate Number: P02487

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Revenue	5	**282,333**	(94,493)
Other income	6	**26,428**	75,714
Other gains and losses			
– Write-off of non-refundable deposit paid for purchase of a debt investment	8	**(30,000)**	–
– Loss on settlement of loan receivables	8	**(109,550)**	–
– Recovery of doubtful consideration receivables	8	**145,566**	–
– Other items	8	**20,601**	15,365
Net unrealised fair value (loss) gain on financial assets at fair value through profit or loss ("FVPL")	10	**(419,809)**	183,199
Net impairment loss in respect of loan receivables	21	**(92,431)**	(9,945)
Depreciation of property and equipment and rights-of-use assets	15, 16	**(30,295)**	(20,821)
Employee benefits expenses	10	**(51,486)**	(25,035)
Other expenses		**(96,178)**	(89,031)
Share of results of associates	18	**(2,856)**	(1,812)
Finance costs	9	**(38,424)**	(54,382)
Loss before taxation	10	**(396,101)**	(21,241)
Income tax credit	11	**36,087**	19,865
Loss for the year		**(360,014)**	(1,376)
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss			
Fair value change on financial assets designated at fair value through other comprehensive income ("Designated FVOCI")	17	**211,392**	(1,073,983)
Items that are reclassified or may be reclassified subsequently to profit or loss			
Fair value change on financial assets mandatory at fair value through other comprehensive income ("Mandatory FVOCI")		**(560)**	–
Exchange differences arising on translation to presentation currency		**(9,231)**	(48,644)
		(9,791)	(48,644)
Total other comprehensive income (loss) for the year		**201,601**	(1,122,627)
Total comprehensive loss for the year		**(158,413)**	(1,124,003)
Loss for the year attributable to:			
Owners of the Company		**(360,031)**	21,035
Non-controlling interests		**17**	(22,411)
		(360,014)	(1,376)
Total comprehensive loss attributable to:			
Owners of the Company		**(152,357)**	(1,047,261)
Non-controlling interests		**(6,056)**	(76,742)
		(158,413)	(1,124,003)
		HK cents	*HK cents*
(Losses) Earnings per share	14		
Basic		**(6.19)**	0.50
Diluted		**(6.19)**	0.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property and equipment	15	**260,214**	78,641
Right-of-use assets	16	**16,715**	–
Financial assets at fair value through other comprehensive income ("FVOCI")	17	**3,007,433**	1,953,087
Interests in associates	18	**2,324**	5,207
Intangible assets	19	**3,908**	3,908
Other deposits	20	**503**	4,316
Loan receivables	21	**210,653**	22,098
Deposit paid for acquisition of property and equipment	34	**–**	140,000
		3,501,750	2,207,257
Current assets			
Trade, loan and other receivables	21	**473,543**	709,262
Income tax recoverable		**17,050**	2,757
Promissory note receivable	22	**–**	192,229
Financial assets at FVPL	23	**2,132,047**	2,585,350
Other investment	24	**–**	171,233
Bank balances – trust and segregated accounts	25	**19,928**	10,297
Cash and cash equivalents	25	**695,894**	1,390,337
		3,338,462	5,061,465
Current liabilities			
Trade and other payables	26	**470,806**	510,260
Lease liabilities	27	**10,521**	–
Income tax payable		**1,674**	1,017
Loan payable	28	**150,855**	–
Promissory note payable	29	**–**	193,770
		633,856	705,047
Net current assets		**2,704,606**	4,356,418
Total assets less current liabilities		**6,206,356**	6,563,675
Non-current liabilities			
Deferred taxation	30	**25,532**	64,257
Lease liabilities	27	**6,335**	–
		31,867	64,257
NET ASSETS		**6,174,489**	6,499,418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	31	**290,588**	290,588
Reserves		**5,879,530**	6,123,427
Equity attributable to owners of the Company		**6,170,118**	6,414,015
Non-controlling interests		**4,371**	85,403
TOTAL EQUITY		**6,174,489**	6,499,418

The consolidated financial statements on pages 58 to 149 were approved and authorised for issue by the Board of Directors on 23 March 2020 and are signed on its behalf by:

Sam Nickolas David Hing Cheong	**Wong Wan Men Margaret**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

		Attributable to equity holders of the Company										Non-controlling interests				
	Note	Share capital HK$'000	Share premium HK$'000 (Note i)	Translation reserve HK$'000 (Note ii)	Contribution surplus HK$'000 (Note iii)	Special reserve HK$'000 (Note iv)	Investment revaluation reserve (recycling) HK$'000 (Note v)	Investment revaluation reserve (non-recycling) HK$'000 (Note vi)	Share option reserve HK$'000 (Note 32)	Retained earnings HK$'000	Total HK$'000	Share of other equity components HK$'000	Investment revaluation reserve (recycling) HK$'000	Investment revaluation reserve (non-recycling) HK$'000	Total HK$'000	Total HK$'000
At 1 January 2018		145,294	4,619,426	(29,878)	544	383,950	(66,355)	–	14,333	1,015,029	6,082,343	262,399	(5,378)	–	257,021	6,339,364
Impact on initial application of HKFRS 9		–	–	–	–	–	66,355	197,771	–	–	264,126	–	5,378	34,031	39,409	303,535
As restated		145,294	4,619,426	(29,878)	544	383,950	–	197,771	14,333	1,015,029	6,346,469	262,399	–	34,031	296,430	6,642,899
Profit (Loss) for the year		–	–	–	–	–	–	–	–	21,035	21,035	(22,411)	–	–	(22,411)	(1,376)
Other comprehensive loss																
Items that will not be reclassified to profit or loss																
Fair value change on Designated FVOCI reclassified to retained earnings upon disposal	17(a)	–	–	–	–	–	–	(9,417)	–	9,417	–	454	–	(454)	–	–
Fair value change on Designated FVOCI	17(a)	–	–	–	–	–	–	(1,019,652)	–	–	(1,019,652)	–	–	(54,331)	(54,331)	(1,073,983)
		–	–	–	–	–	–	(1,029,069)	–	9,417	(1,019,652)	454	–	(54,785)	(54,331)	(1,073,983)
Items that are reclassified or may be reclassified subsequently to profit or loss																
Exchange differences arising on translation to presentation currency		–	–	(48,644)	–	–	–	–	–	–	(48,644)	–	–	–	–	(48,644)
Total other comprehensive loss for the year		–	–	(48,644)	–	–	–	(1,029,069)	–	9,417	(1,068,296)	454	–	(54,785)	(54,331)	(1,122,627)
Total comprehensive loss for the year		–	–	(48,644)	–	–	–	(1,029,069)	–	30,452	(1,047,261)	(21,957)	–	(54,785)	(76,742)	(1,124,003)
Transactions with owners:																
Contribution and distribution																
Share options lapsed		–	–	–	–	–	–	–	(14,333)	14,333	–	–	–	–	–	–
Issue of new shares upon rights issue		145,294	1,119,824	–	–	–	–	–	–	–	1,265,118	–	–	–	–	1,265,118
Dividend paid	13	–	–	–	–	–	–	–	–	(58,118)	(58,118)	–	–	–	–	(58,118)
		145,294	1,119,824	–	–	–	–	–	(14,333)	(43,785)	1,207,000	–	–	–	–	1,207,000
Changes in ownership interests																
Acquisition of non-controlling interests in a subsidiary		–	–	–	–	(383,950)	–	(25,450)	–	317,207	(92,193)	(234,735)	–	25,450	(209,285)	(301,478)
Non-controlling interests arising from acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	–	75,000	–	–	75,000	75,000
		–	–	–	–	(383,950)	–	(25,450)	–	317,207	(92,193)	(159,735)	–	25,450	(134,285)	(226,478)
		145,294	1,119,824	–	–	(383,950)	–	(25,450)	(14,333)	273,422	1,114,807	(159,735)	–	25,450	(134,285)	980,522
At 31 December 2018		290,588	5,739,250	(78,522)	544	–	–	(856,748)	–	1,318,903	6,414,015	80,707	–	4,696	85,403	6,499,418

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

		Attributable to equity holders of the Company									Non-controlling interests				
	Note	Share capital HK$'000	Share premium HK$'000 (Note i)	Translation reserve HK$'000 (Note ii)	Contribution surplus HK$'000 (Note iii)	Investment revaluation reserve (recycling) HK$'000 (Note v)	Investment revaluation reserve (non-recycling) HK$'000 (Note vi)	Share option reserve HK$'000 (Note 32)	Retained earnings HK$'000	Total HK$'000	Share of other equity components HK$'000	Investment revaluation reserve (recycling) HK$'000	Investment revaluation reserve (non-recycling) HK$'000	Total HK$'000	Total HK$'000
At 1 January 2019		290,588	5,739,250	(78,522)	544	-	(856,748)	-	1,318,903	6,414,015	80,707	-	4,696	85,403	6,499,418
(Loss) Profit for the year		-	-	-	-	-	-	-	(360,031)	(360,031)	17	-	-	17	(360,014)
Other comprehensive income (loss)															
Items that will not be reclassified to profit or loss															
Fair value change on Designated FVOCI reclassified to retained earnings upon disposal	17(a)	-	-	-	-	-	(18,858)	-	18,858	-	-	-	-	-	-
Fair value change on Designated FVOCI	17(a)	-	-	-	-	-	217,465	-	-	217,465	-	-	(6,073)	(6,073)	211,392
		-	-	-	-	-	198,607	-	18,858	217,465	-	-	(6,073)	(6,073)	211,392
Items that are reclassified or may be reclassified subsequently to profit or loss															
Fair value change on Mandatory FVOCI	17(c)	-	-	-	-	(560)	-	-	-	(560)	-	-	-	-	(560)
Exchange differences arising on translation to presentation currency		-	-	(9,231)	-	-	-	-	-	(9,231)	-	-	-	-	(9,231)
		-	-	(9,231)	-	(560)	-	-	-	(9,791)	-	-	-	-	(9,791)
Total other comprehensive income (loss) for the year		-	-	(9,231)	-	(560)	198,607	-	18,858	207,674	-	-	(6,073)	(6,073)	201,601
Total comprehensive loss for the year		-	-	(9,231)	-	(560)	198,607	-	(341,173)	(152,357)	17	-	(6,073)	(6,056)	(158,413)
Transactions with owners:															
Contribution and distribution															
Recognition of equity-settled share-based payments		-	-	-	-	-	-	24,720	-	24,720	-	-	-	-	24,720
Dividend paid	13	-	-	-	-	-	-	-	(116,236)	(116,236)	-	-	-	-	(116,236)
Transfer	43(a)(i)	-	(5,739,250)	-	5,681,836	-	-	-	57,414	-	-	-	-	-	-
		-	(5,739,250)	-	5,681,836	-	-	24,720	(58,822)	(91,516)	-	-	-	-	(91,516)
Changes in ownership interests															
Acquisition of non-controlling interests in a subsidiary	35	-	-	-	-	-	-	-	(24)	(24)	(74,976)	-	-	(74,976)	(75,000)
		-	(5,739,250)	-	5,681,836	-	-	24,720	(58,846)	(91,540)	(74,976)	-	-	(74,976)	(166,516)
At 31 December 2019		290,588	-	(87,753)	5,682,380	(560)	(658,141)	24,720	918,884	6,170,118	5,748	-	(1,377)	4,371	6,174,489

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

Notes:

(i) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value. The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(ii) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iii) Contribution surplus represents residual arising from the reduction of share premium of the Company pursuant to special resolutions passed by the Company on 2 June 2005 and 23 May 2007.

(iv) Special reserve represents the difference between the consideration received and the amount by which the non-controlling interests is adjusted as a result of the change in ownership of interests in a subsidiary without loss of control.

(v) Investment revaluation reserve (recycling) comprises the accumulated net change in the fair value of Mandatory FVOCI, if any, at the end of the reporting period and is dealt with in accordance with the accounting policies adopted.

(vi) Investment revaluation reserve (non-recycling) comprises the accumulated net change in the fair value of Designated FVOCI that have been recognised in other comprehensive income, net of the amounts reclassified to retained earnings when those investments are disposed of.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		(396,101)	(21,241)
Depreciation of property and equipment and right-of-use assets	15, 16	30,295	20,821
Interest expenses	9	38,424	54,382
Interest income	5, 6	(30,310)	(65,421)
Bad debt written off	8	10,671	–
Write-off of non-refundable deposit paid for purchase of a debt investment	8	30,000	–
Loss on disposal of property and equipment		–	24,292
Net impairment loss in respect of loan receivables		92,431	9,945
Gain on disposal of subsidiaries		–	(136,680)
Loss on disposal of an associate		–	68,129
Loss on deemed disposal of an associate	8	3,310	–
Gain on disposal of financial assets at amortised cost		–	(965)
Recovery of doubtful consideration receivables	8	(145,566)	–
Share of results of associates	18	2,856	1,812
Dividend income	5	(87,233)	(161,214)
Share-based payment expenses	32	24,720	–
Amortisation of deferred day-one gain	23	(10,692)	–
Gain on conversion of unlisted convertible bonds at FVPL	23	(6,385)	–
Net unrealised fair value loss (gain) on financial assets at FVPL		419,809	(183,199)
Loss on settlement of loan receivables	34	109,550	–
Changes in working capital			
Other deposits		3,813	(3,796)
Financial assets at FVPL		6,291	388,567
Trade, loan and other receivables		(389,992)	(324,084)
Bank balances — trust and segregated accounts		(9,631)	(1,496)
Trade and other payables		(39,239)	218,746
Cash used in operations		(342,979)	(111,402)
Interest paid		(31,339)	(42,090)
Income tax (paid) refunded		(16,280)	1,925
NET CASH USED IN OPERATING ACTIVITIES		(390,598)	(151,567)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Purchase of structured deposits		–	(1,578,767)
Redemption of structured deposits		–	1,832,191
Deposits paid for acquisition of property and equipment		(1,290)	–
Dividend received		87,233	161,214
Interest received		21,342	51,568
Purchase of property and equipment		(382)	(11,412)
Proceeds from disposal of property and equipment		–	25,000
Purchase of Designated FVOCI		(797,558)	(835,899)
Proceeds from disposal of Designated FVOCI	17(a)	208,179	480,121
Purchase of Mandatory FVOCI		(19,159)	–
Redemption of other investments	24	170,455	–
Proceeds from disposal of financial assets at amortised cost		–	30,255
Net cash inflow arising from disposal of subsidiaries		–	52,940
Receipts of consideration receivables, net of withholding tax	8(a)	145,566	116,813
Acquisition of associates	18	(59,840)	–
Proceeds from disposal of an associate		–	124,731
Settlement of promissory note receivable in relation to disposal of an associate	22	200,000	200,000
Net cash outflow arising from acquisition of a subsidiary		–	(125,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(45,454)	523,755
FINANCING ACTIVITIES			
Drawdown of loan payables	33	150,000	410,000
Repayment of loan payables	33	–	(1,305,000)
Lease payment	33	(10,055)	–
Issue of shares		–	1,265,118
Dividend paid	13	(116,236)	(58,118)
Settlement of promissory note payable in relation to acquisition of non-controlling interests in a subsidiary	29, 33	(200,000)	(120,000)
Cash outflow arising from acquisition of non-controlling interests in a subsidiary	35	(75,000)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(251,291)	192,000
Net (decrease) increase in cash and cash equivalents		(687,343)	564,188
Cash and cash equivalents at beginning of the reporting period		1,390,337	850,229
Effect on exchange rate changes on cash and cash equivalents		(7,100)	(24,080)
Cash and cash equivalents at end of the reporting period, represented by cash and bank balances		695,894	1,390,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

1. GENERAL

Oshidori International Holdings Limited (formerly known as Enerchina Holdings Limited) (the "Company") is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the 2019 annual report of the Company.

The Company and its subsidiaries (together the "Group") principally engages in investment holdings, trading and investment in securities, and the provisions of (i) securities brokerage services, (ii) placing and underwriting services, (iii) corporate finance advisory services, (iv) money lending services, (v) investment advisory and asset management services, and (vi) margin financing services.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

Annual Improvements Project – 2015-2017 Cycle

HKAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in HKFRS 9.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

The Interpretation supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of the Interpretation does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 28 Investments in Associates and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture, to which the equity method is not applied, are accounted for using HKFRS 9.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

HKFRS 16: Leases (Continued)

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(c) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 5.31%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

HKFRS 16: Leases (Continued)

As lessee – leases previously classified as operating leases (Continued)

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	HK$'000
Operating lease commitments at 31 December 2018	10,792
Discounted using the lessee's incremental borrowing rate at the DIA	10,523
Less: Short-term leases	(1,649)
Lease liabilities at 1 January 2019	8,874

As lessee

At the DIA, the right-of-use assets and lease liabilities were presented within the line item "right-of-use assets" and "lease liabilities" respectively on the consolidated statement of financial position.

Summary of effect of the changes in accounting policies

The following table summarises the impact of transition to HKFRS 16 as at 1 January 2019:

	31 December 2018 *HK$'000*	**Effect on adoption of HKFRS 16** *HK$'000*	**1 January 2019** *HK$'000*
Non-current assets			
Right-of-use assets	–	8,874	8,874
Current liabilities			
Lease liabilities	–	7,298	7,298
Non-current liabilities			
Lease liabilities	–	1,576	1,576
	–	8,874	8,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for debt investment measured at fair value through other comprehensive income ("Mandatory FVOCI"), equity investment measured at fair value through other comprehensive income ("Designated FVOCI"), and measured at fair value through profit or loss ("FVPL"), which are measured at fair values as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

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

Changes in ownership interest

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in ownership interest (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in note 43 to the consolidated financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

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

The Group's investment in associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Associates (Continued)

On the loss of significant influence, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate is regarded as the fair value on initial recognition as a financial asset.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	15 to 20%
Yacht	10%
Furniture, fixtures and equipment	18% to 25%
Motor vehicles	20%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Intangible assets

The amount represented trading rights that confer eligibility on the Group to trade on the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until its useful life is determined to be finite.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

When the fair value of financial assets differs from the transaction price on initial recognition, the Group recognises the difference as follows:

(i) When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(ii) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) Mandatory FVOCI; (iii) Designated FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement (Continued)

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

1) *Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade, loan and other receivables, bank balances-trust and segregated accounts and cash and cash equivalents.

2) *Mandatory FVOCI*

A financial asset is measured at Mandatory FVOCI if both of the following conditions are met and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is subsequently measured at fair value. Interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses are recognised in profit or loss. Other gains or losses are recognised in other comprehensive income until the financial asset is derecognised. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment.

The Group's financial assets at Mandatory FVOCI include listed debt securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement (Continued)

3) *Designated FVOCI*

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses.

The Group's Designated FVOCI include listed and unlisted equity securities not held for trading.

4) *Financial assets at FVPL*

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets mandatorily measured at FVPL include listed equity securities and unlisted investment funds held for trading and unlisted convertible notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables and loan payable. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items under HKFRS 9

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets that are measured at amortised cost and Mandatory FVOCI to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 (Continued)

Measurement of ECL (Continued)

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, except in the case of Mandatory FVOCI, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

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

Assessment of significant increase in credit risk

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

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 (Continued)

Assessment of significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

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

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed in note 38 to the consolidated financial statements, Mandatory FVOCI, other receivables and bank balances are determined to have low credit risk.

Simplified approach of ECL

For trade receivables other than margin clients, without a significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

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

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 (Continued)

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Equity instruments

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

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:
Business A: Securities brokerage, financial, consultancy and corporate financial services
Business B: Securities trading and investments

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers within HKFRS 15 (Continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

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

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue or income arising from financial services is recognised on the following basis:

- Commission income for broking business is recorded as income at point in time on a trade date basis;

- Underwriting commission income, sub-underwriting income, placing commission income and referral fee income are recognised as income at point in time in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed; and

- Advisory and other fee income is recognised over time when the relevant transactions have been arranged or the relevant services have been rendered.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Dividend

Dividend income from financial assets is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

- Interest income from margin clients is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable.

- Other interest income from financial assets is recognised 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 assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property and equipment, right-of-use assets, interests in associates, intangible assets and investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Applicable from 1 January 2019

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

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Applicable from 1 January 2019 (Continued)

As lessee (Continued)

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	2 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset, if any, during the lease term that are not paid at the commencement date:

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

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Applicable from 1 January 2019 (Continued)

As lessee (Continued)

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

Applicable before 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Retirement benefit costs

Payment to defined contribution retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Long service payments

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based transactions

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Segment reporting

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

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

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKASs 1 and 8	Definition of Material [(1)]
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform [(1)]
Amendments to HKFRS 3	Definition of a Business [(2)]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [(3)]

(1) Effective for annual periods beginning on or after 1 January 2020

(2) Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

(3) The effective date to be determined

The directors do not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the result of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Fair value estimation

The Group's unlisted Designated FVOCI have been valued based on the valuation from an independent professional valuer. The valuation requires the Group to make some estimation on a number of significant unobservable inputs associated with the investment. As at 31 December 2019, the Group has unlisted Designated FVOCI of approximately HK$749,471,000. Details of the key assumption and inputs used in the valuation are set out in note 39 to the consolidated financial statements.

Loss allowance for ECL

The Group's management estimates the loss allowance for financial assets at amortised cost including trade, loan and other receivables, other investment, bank balance-trust and segregated account and cash and cash equivalents by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, recoverable amount of securities collateral, past collection history of borrowers, concentration risk of borrowers, the Group's actual loss experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the financial assets at amortised cost. Details of the key assumption and inputs used in estimating ECL are set out in note 38 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5. REVENUE

	Note	2019 HK$'000	2018 HK$'000
Fee and commission income		**1,588**	2,541
Advisory and other fee income		**530**	330
Net gain (loss) on sales of financial assets at FVPL	(a)	**99,420**	(301,237)
Interest income from:			
– margin clients		**29,863**	16,408
– loan receivables		**49,382**	22,372
– listed bonds at FVPL		**8,222**	3,608
– unlisted convertible notes at FVPL		**5,505**	–
– listed bonds at Mandatory FVOCI		**590**	–
– financial assets at amortised cost		**–**	271
		93,562	42,659
Dividend income from:			
– financial assets at FVPL		**28,841**	95,498
– Designated FVOCI held at the reporting date		**58,327**	55,109
– Designated FVOCI derecognised during the reporting period		**65**	10,607
		87,233	161,214
	(b)	**282,333**	(94,493)

Notes:

(a) The amount represented the proceeds from the sale of financial assets at FVPL of approximately HK$1,213,980,000 (2018: approximately HK$1,372,636,000) less relevant costs and carrying value of the investments sold of approximately HK$1,114,560,000 (2018: approximately HK$1,673,873,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5. REVENUE (Continued)

Notes: (Continued)

(b) In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	Financial services *(defined in note 7)*	
	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition:		
Fee and commission income		
– at a point in time	**1,588**	2,541
Advisory and other fee income		
– over time	**530**	330
Total revenue from contracts with customers within HKFRS 15	**2,118**	2,871

6. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income on:		
– bank deposits	**3,331**	35,352
– promissory note receivable (Note 22)	**7,771**	13,853
– other investment	**4,832**	11,969
– others	**59**	368
	15,993	61,542
Forfeiture of non-refundable deposit received upon termination of contract	**–**	10,222
Referral fee	**5,501**	–
Others	**4,934**	3,950
	26,428	75,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

The Group's reportable and operating segments are as follows:

(a) the provision of securities brokerage and provision of financial, consultancy and corporate financial advisory services ("financial services");

(b) securities trading and investments; and

(c) money lending.

Segment revenue and results

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

For the year ended 31 December 2019

	Financial services	Securities trading and investments	Money lending	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Revenue from financial services	31,981	–	–	31,981
Revenue from securities trading and investments	–	200,970	–	200,970
Revenue from money lending	–	–	49,382	49,382
Total revenue	31,981	200,970	49,382	282,333
Net unrealised fair value loss on financial assets at FVPL	–	(419,809)	–	(419,809)
Segment revenue	31,981	(218,839)	49,382	(137,476)
Segment profit (loss)	10,978	(311,826)	(192,576)	(493,424)
Unallocated other income				16,124
Net exchange gain				17,505
Unallocated other gains and losses				142,256
Share of results of associates				(2,856)
Unallocated finance costs				(12,412)
Central corporate expenses				(63,294)
Loss before taxation				(396,101)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2018

	Financial services *HK$'000*	Securities trading and investments *HK$'000*	Money lending *HK$'000*	Consolidated *HK$'000*
Revenue				
Revenue from financial services	19,279	–	–	19,279
Revenue from securities trading and investments	–	(136,144)	–	(136,144)
Revenue from money lending	–	–	22,372	22,372
Total revenue	19,279	(136,144)	22,372	(94,493)
Net unrealised fair value gain on financial assets at FVPL	–	183,199	–	183,199
Segment revenue	19,279	47,055	22,372	88,706
Segment loss	(14,042)	(20,932)	(10,379)	(45,353)
Unallocated other income				61,296
Net exchange loss				(29,834)
Other gains and losses				44,259
Share of results of associates				(1,812)
Unallocated finance costs				(12,292)
Central corporate expenses				(37,505)
Loss before taxation				(21,241)

Segment revenue includes revenue from financial services, securities trading and investments and money lending operations. In addition, the chief operating decision makers also consider net unrealised fair value (loss) gain on financial assets at FVPL as segment revenue.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies in note 2. Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other gains and losses, share of results of associates, certain finance costs and the central corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 31 December 2019

	Financial services HK$'000	Securities trading and investments HK$'000	Money lending HK$'000	Consolidated HK$'000
Segment assets	232,148	5,303,204	640,232	6,175,584
Unallocated property and equipment				252,133
Unallocated right-of-use assets				13,798
Interests in associates				2,324
Unallocated other receivables				16,022
Income tax recoverable				17,050
Unallocated cash and cash equivalents				363,301
Consolidated assets				6,840,212
Segment liabilities	22,899	427,066	7,694	457,659
Unallocated other payables				16,103
Unallocated lease liabilities				13,900
Income tax payable				1,674
Loan payable				150,855
Deferred taxation				25,532
Consolidated liabilities				665,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2018

	Financial services *HK$'000*	Securities trading and investments *HK$'000*	Money lending *HK$'000*	Consolidated *HK$'000*
Segment assets	313,794	4,615,029	744,790	5,673,613
Unallocated property and equipment				68,272
Interests in associates				5,207
Other investment				171,233
Deposit paid for acquisition of property and equipment				140,000
Unallocated other receivables				75,633
Income tax recoverable				2,757
Structured deposits				192,229
Unallocated cash and cash equivalents				939,778
Consolidated assets				7,268,722
Segment liabilities	30,888	470,508	307	501,703
Unallocated other payables				8,557
Income tax payable				1,017
Promissory note payable				193,770
Deferred taxation				64,257
Consolidated liabilities				769,304

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 and equipment, certain right-of-use assets, interests in associates, other investment, deposit paid for acquisition of property and equipment, certain other receivables, income tax recoverable and certain cash and cash equivalents.

- all liabilities are allocated to operating and reportable segments other than certain other payables, certain lease liabilities, income tax payable, promissory note payable and deferred taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2019

	Financial services *HK$'000*	Securities trading and investments *HK$'000*	Money lending *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or segment assets:					
Interest income included in revenue and other income	(29,884)	(14,433)	(49,389)	(15,849)	(109,555)
Interest expenses	–	26,012	–	12,412	38,424
Amortisation of deferred day-one gain	–	(10,692)	–	–	(10,692)
Bad debt written off	–	–	10,671	–	10,671
Net impairment loss in respect of loan receivables	–	–	92,431	–	92,431
Recovery of doubtful consideration receivables	–	–	–	(145,566)	(145,566)
Depreciation of property and equipment	41	–	2,247	17,811	20,099
Depreciation of right-of-use assets	–	1,201	–	8,995	10,196
Loss on deemed disposal of an associate	–	–	–	3,310	3,310
Gain on conversion of unlisted convertible notes at FVPL	–	(6,385)	–	–	(6,385)
Write-off of non-refundable deposit paid for purchase of a debt investment	–	30,000	–	–	30,000
Loss on settlement of loan receivables	–	–	109,550	–	109,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2018

	Financial services *HK$'000*	Securities trading and investments *HK$'000*	Money lending *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or segment assets:					
Interest income included in revenue and other income	(16,481)	(4,180)	(22,387)	(61,153)	(104,201)
Interest expenses	–	21,583	20,507	12,292	54,382
Net impairment loss in respect of loan receivables	–	–	9,945	–	9,945
Loss on disposal of property and equipment	–	–	–	24,292	24,292
Gain on disposal of financial assets at amortised cost	–	(965)	–	–	(965)
Net gain on disposal of subsidiaries	–	–	–	(136,680)	(136,680)
Loss on disposal of an associate	–	–	–	68,129	68,129
Depreciation of property and equipment	45	–	936	19,840	20,821

Geographical information

The Group's operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all non-current assets (excluding financial assets) are located in Hong Kong.

Information about major customers

Revenue from the customers individually accounted for 10% or more of the Group's revenue, excluding revenue from securities trading and investments, for the years ended 31 December 2019 and 2018 is as follows:

	2019 **HK$'000**	2018 *HK$'000*
Customer A*	**19,069**	8,431
Customer B^	**16,617**	N/A
Customer C^	**8,881**	N/A

* Attributable to financial services segment and money lending segment.

^ Attributable to money lending segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

8. OTHER GAINS AND LOSSES

	Note	2019 HK$'000	2018 HK$'000
Bad debt written off		**(10,671)**	(25)
Net exchange gain (loss)		**17,505**	(29,834)
Amortisation of deferred day-one gain	23(b)	**10,692**	–
Loss on disposal of property and equipment		**–**	(24,292)
Gain on disposal of financial assets at amortised cost		**–**	965
Net gain on disposal of subsidiaries		**–**	136,680
Loss on disposal of an associate		**–**	(68,129)
Loss on deemed disposal of an associate	18	**(3,310)**	–
Gain on conversion of unlisted convertible notes at FVPL	23(b)	**6,385**	–
Recovery of doubtful consideration receivables	(a)	**145,566**	–
Write-off of non-refundable deposit paid for purchase of a debt investment		**(30,000)**	–
Loss on settlement of loan receivables	34	**(109,550)**	–
		26,617	15,365

Notes:

(a) During the year ended 31 December 2011, the Group disposed of its 100% equity interest in a subsidiary to CNOOC Gas & Power Group (the "CNOOC Gas"). The total consideration of disposal of RMB1,037,642,000 (equivalent to approximately HK$1,247,166,000) was payable in 4 instalments. Up to 31 December 2013, the outstanding payments of second and fourth instalment were RMB120,000,000 and RMB31,129,000 respectively while the outstanding payment of third instalment was RMB206,513,000 which was subject to adjustment in accordance with the results of supplemental audit. The directors of the Company are of the opinion that the timing and eventual outcome of the finalisation of the supplemental audit is uncertain and hence the settlement of outstanding instalments cannot be estimated with reasonable certainty, the total outstanding instalments of approximately RMB275,571,000 (equivalent to approximately HK$348,317,000) net of estimated other taxes payable arising from disposal of the subsidiary, was fully written down by the Group during the year ended 31 December 2012 and 2013. In 2014, the Group started to take legal action against CNOOC Gas to recover the outstanding instalments.

In December 2017, the Group received a civil judgement in favour of the Group in relation to the litigation on the disposal, pursuant to which the Group was judged to receive approximately RMB85,545,000 (equivalent to approximately HK$102,327,000), which is the outstanding balance of second and fourth instalment of approximately RMB151,129,000 after deducting other tax expenses of approximately RMB65,584,000, together with related interest of approximately RMB28,326,000 (equivalent to approximately HK$33,883,000) which were subsequently settled in February 2018.

In April 2019, the Group further received a civil judgement in favour of the Group, pursuant to which the Group was judged to receive approximately RMB113,486,000, which is the outstanding balance of third instalment of approximately RMB206,513,000 after deducting other expenses of approximately RMB93,027,000, together with related tax subsidies of approximately RMB29,066,000. Up to 31 December 2019, approximately RMB127,624,000 (equivalent to approximately HK$145,566,000) was received from CNOOC Gas for settlement of judged consideration receivables of the third instalment of approximately RMB113,486,000 (equivalent to approximately HK$129,102,000) and tax subsidies of approximately RMB21,025,000 (equivalent to approximately HK$24,335,000) after deducting withholding tax of approximately RMB6,887,000 (equivalent to approximately HK$7,871,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

8. OTHER GAINS AND LOSSES (Continued)

Notes: (Continued)

(a) (Continued)

The judgement of the tax subsidies is under the proceeding of second instance, the unsettled tax subsidies of approximately RMB8,041,000 is awaiting a further decision from the court. Based on the legal opinion of the Group's lawyers in the People's Republic of China ("the PRC"), the directors are of the opinion that the outcomes are uncertain.

9. FINANCE COSTS

	Note	**2019**	2018
		HK$'000	*HK$'000*
Interest on loan payable		**5,770**	23,943
Interest on margin financing		**25,914**	18,147
Interest on the promissory note payable	29	**6,230**	12,292
Imputed interest on lease liabilities		**510**	–
		38,424	54,382

10. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	Note	**2019**	2018
		HK$'000	*HK$'000*
Employee benefits expenses (including directors' emoluments)			
Salaries and other benefits		**26,113**	24,360
Retirement benefit scheme contributions		**653**	675
Share-based payment expenses	32	**24,720**	–
		51,486	25,035
Auditor's remuneration		**2,080**	2,020
Net unrealised fair value loss (gain) on financial assets at FVPL		**419,809**	(183,199)
Legal and professional fees		**11,409**	8,294
Marketing expenses		**20,138**	16,768
Business development expenses		**39,939**	22,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

11. INCOME TAX CREDIT

The two-tiered profits tax rates regime have been implemented from 1 April 2018, under which, the profits tax rate for the first HK$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2,000,000 will continue be taxed at the rate of 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

For the years ended 31 December 2019 and 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime.

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax		
– Current year	**811**	47,071
– Under provision in prior year	**1,827**	–
	2,638	47,071
Deferred taxation		
Origination and reversal of temporary difference (Note 30)	**(38,725)**	(66,936)
Income tax credit	**(36,087)**	(19,865)

Reconciliation of income tax credit

	2019	2018
	HK$'000	*HK$'000*
Loss before taxation	**(396,101)**	(21,241)
Income tax at applicable tax rate 16.5% (2018: 16.5%)	**(65,357)**	(3,505)
Tax effect of expenses not deductible for tax purpose	**39,350**	39,272
Tax effect of income not taxable for tax purpose	**(57,435)**	(62,754)
Tax effect of tax losses not recognised	**18,087**	6,195
Recognition of tax losses previously not recognised	**–**	(7,332)
Utilisation of tax losses previously not recognised	**(3,315)**	(19,753)
Unrecognised temporary differences	**30,541**	28,012
Under provision in prior year	**1,827**	–
Others	**215**	–
Income tax credit for the year	**(36,087)**	(19,865)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

(i) Directors' and Chief Executive's remuneration:

The emoluments paid or payable to each of the 7 (2018: 8) directors were as follows:

	Year ended 31 December 2019							
	Executive Directors				Independent Non-executive Directors			
	Mr. Chow Chi Wah Vincent HK$'000 (Note c)	Mr. Sam Nickolas David Hing Cheong HK$'000 (Note c)	Mr. Wong Yat Fai HK$'000	Ms. Wong Wan Men Margaret HK$'000 (Note c)	Mr. Cheung Wing Ping HK$'000	Mr. Hung Cho Sing HK$'000	Mr. Chan Hak Kan HK$'000	Total HK$'000
Fees (Note a)	-	-	-	-	250	250	250	750
Other emoluments								
– salaries and other benefits (Note b)	1,113	2,191	650	1,950	-	-	-	5,904
– contributions to retirement benefit schemes	15	18	18	18	-	-	-	69
Total emoluments	1,128	2,209	668	1,968	250	250	250	6,723

	Year ended 31 December 2018								
	Executive Directors			Independent Non-executive Directors					
	Mr. Chow Chi Wah Vincent HK$'000 (Note c)	Mr. Sam Nickolas David Hing Cheong HK$'000 (Note c)	Mr. Wong Yat Fai HK$'000	Mr. Cheung Wing Ping HK$'000	Mr. Chui Kark Ming HK$'000 (Note d)	Mr. Ma Ka Ki HK$'000 (Note d)	Mr. Hung Cho Sing HK$'000	Mr. Chan Hak Kan HK$'000	Total HK$'000
Fees (Note a)	–	–	–	250	63	107	250	250	920
Other emoluments									
– salaries and other benefits (Note b)	1,200	1,596	600	–	–	–	–	–	3,396
– contributions to retirement benefit schemes	18	18	18	–	–	–	–	–	54
Total emoluments	1,218	1,614	618	250	63	107	250	250	4,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (Continued)

(i) Directors' and Chief Executive's remuneration: (Continued)

Notes:

a. The directors' fee of independent non-executive directors/non-executive directors are determined by the Board of Directors with recommendation from the remuneration committee of the Company with reference to their duties and responsibilities with the Company, the Company's performance and the prevailing market situation and to be authorised by the shareholders of the Company at the annual general meeting.

b. The emoluments of the directors are covered by their respective service contracts and/or supplemental agreements or letters of appointment entered into with the Company.

c. Ms. Wong Wan Men Margaret was appointed as an executive director on 28 January 2019 and Mr. Chow Chi Wah Vincent resigned as an executive director on 29 October 2019. Mr. Sam Nickolas David Hing Cheong was re-designated as Chairman of the Board of Directors on 28 January 2019.

d. Mr. Chui Kark Ming and Mr. Ma Ka Ki resigned as independent non-executive directors on 1 April 2018 and 4 June 2018 respectively.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 December 2019 and 2018.

(ii) Employees' remuneration:

The five highest paid individuals of the Group included 3 (2018: 2) directors of the Company. Details of their emoluments are included in note 12(i) above.

The emoluments of the remaining 2 (2018: 3) highest paid individuals for the year are set out as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries and other emoluments	**3,465**	4,848
Contribution to retirement benefits schemes	**36**	54
	3,501	4,902

The emoluments of the individuals are within the following bands:

	2019	2018
	Number of employees	*Number of employees*
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	1

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

13. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2019.

The directors of the Company have declared and paid a final dividend in respect of the year ended 31 December 2018 of HK$0.015 per share amounting to approximately HK$87,177,000 during the year ended 31 December 2019 (2018: declared and paid a final dividend of approximately HK$29,059,000 in respect of the year ended 31 December 2017).

During the year ended 31 December 2019, the directors of the Company have declared and paid an interim dividend of HK$0.005 per share amounting to approximately HK$29,059,000 in respect of the six months ended 30 June 2019 (2018: declared and paid an interim dividend of approximately HK$29,059,000 in respect of the six months ended 30 June 2018).

14. (LOSSES) EARNINGS PER SHARE

The calculation of the basic and diluted (losses) earnings per share is based on (loss) profit attributable to the equity holders of the Company and the weighted average number ordinary shares in issue during the year as follows:

(Losses) Earnings

	2019 ***HK$'000***	2018 *HK$'000*
(Loss) Profit for the year attributable to equity shareholders of the Company, for the purpose of basic and diluted (losses) earnings per share	**(360,031)**	21,035

Number of shares

	2019	2018
Weighted average number of ordinary shares, for the purpose of basic and diluted (losses) earnings per share	**5,811,766,282**	4,211,540,224

Note:

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2018 has been adjusted to reflect the effect of rights issue during the year ended 31 December 2018 but there is no impact on the respective calculation before the date of rights issue as there is no bonus element in such rights issue.

The computation of diluted (losses) earnings per share for the year ended 31 December 2019 and 2018 did not assume the exercise of certain share option since their assumed exercise during the years would have an anti-dilutive effect on the basic (losses) earnings per share amount presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

15. PROPERTY AND EQUIPMENT

	Leasehold improvements	Yacht	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2018	730	154,350	40,953	16,446	212,479
Additions	–	–	176	11,236	11,412
Disposals	–	(65,000)	–	–	(65,000)
Disposals of subsidiaries	–	–	(6)	–	(6)
At 31 December 2018	730	89,350	41,123	27,682	158,885
Additions	–	201,290	382	–	201,672
At 31 December 2019	**730**	**290,640**	**41,505**	**27,682**	**360,557**
ACCUMULATED DEPRECIATION					
At 1 January 2018	726	32,660	33,852	7,899	75,137
Provided for the year	4	10,560	6,131	4,126	20,821
Eliminated on disposals	–	(15,708)	–	–	(15,708)
Eliminated on disposals of subsidiaries	–	–	(6)	–	(6)
At 31 December 2018	730	27,512	39,977	12,025	80,244
Provided for the year	–	13,967	694	5,438	20,099
At 31 December 2019	**730**	**41,479**	**40,671**	**17,463**	**100,343**
CARRYING VALUES					
At 31 December 2019	**–**	**249,161**	**834**	**10,219**	**260,214**
At 31 December 2018	–	61,838	1,146	15,657	78,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. RIGHT-OF-USE ASSETS

	Note	**Buildings** *HK$'000*
Reconciliation of carrying amount – year ended 31 December 2019		
At beginning of the year – upon adoption of HKFRS 16	2	**8,874**
Additions		**18,037**
Depreciation		**(10,196)**
At the end of the reporting period		**16,715**
At 31 December 2019		
Cost		**26,911**
Accumulated depreciation		**(10,196)**
Net carrying amount		**16,715**

The Group leases various premises for its daily operations. Lease terms are 2 years with no renewal or termination option. The interest expenses on lease liabilities are set out in note 9 to the consolidated financial statements.

The Group has recognised the following amounts for the year:

	2019 **HK$'000**	2018 *HK$'000*
Lease payments:		
Short-term leases	**2,280**	–
Operating lease payments	**–**	10,631
Expenses recognised in profit or loss	**2,280**	10,631
Lease payments on lease liabilities	**10,565**	–
Total cash outflow for leases	**12,845**	10,631

Commitments under leases

At 31 December 2019, the Group was committed to approximately HK$1,686,000 for short-term leases.

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

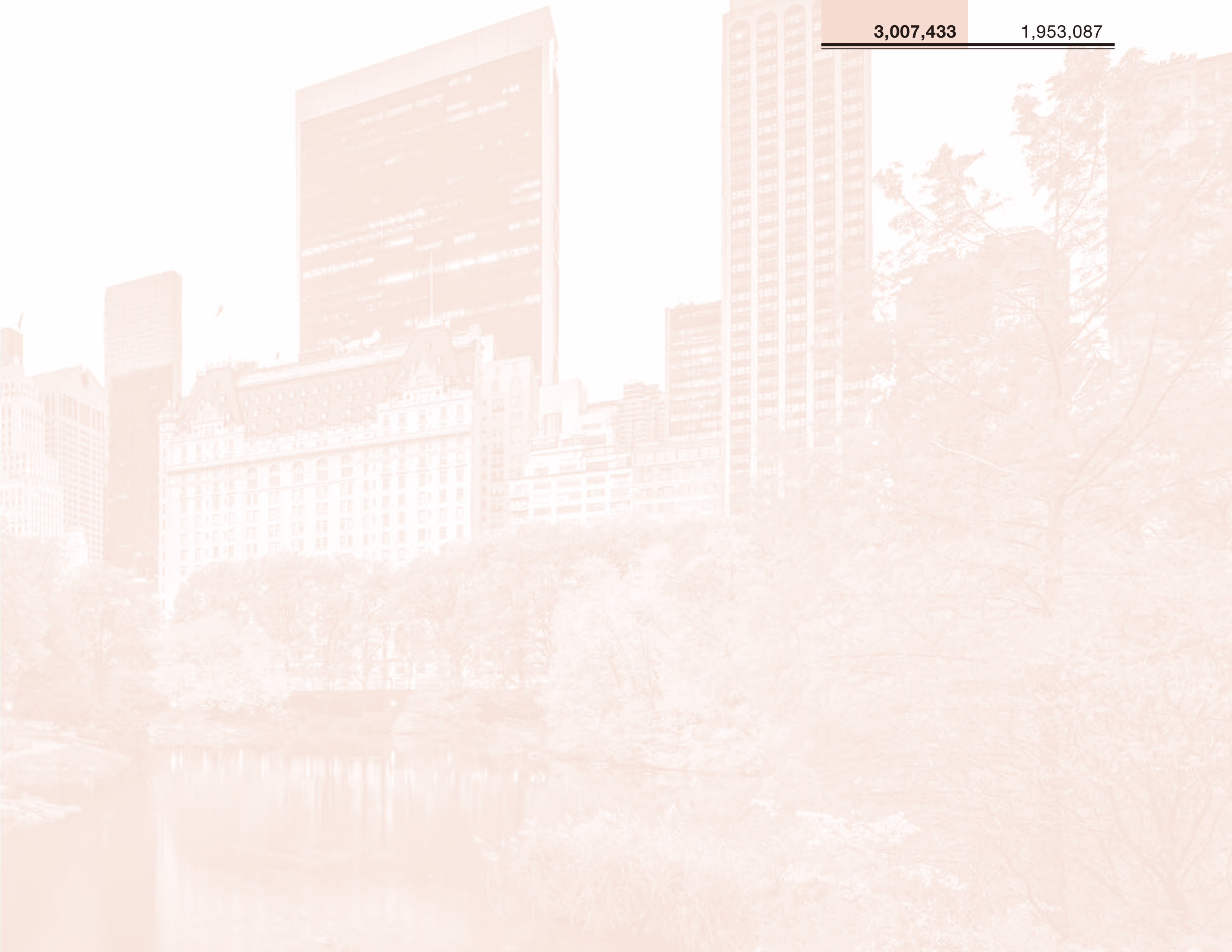
	HK$'000
Within one year	9,258
In the second to fifth years inclusive	1,534
	10,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

17. FINANCIAL ASSETS AT FVOCI

	Note	**2019** ***HK$'000***	2018 *HK$'000*
Designated FVOCI			
Equity securities – listed			
Listed in Hong Kong		**2,096,293**	1,165,840
Listed in the United States		**45,855**	104,645
		2,142,148	1,270,485
Equity securities – unlisted	(b)	**846,686**	682,602
	(a)	**2,988,834**	1,953,087
Mandatory FVOCI			
Debt securities – listed			
Listed in Singapore	(c)	**18,599**	–
		3,007,433	1,953,087



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

17. FINANCIAL ASSETS AT FVOCI (Continued)

Notes:

(a) At 1 January 2018, the Group irrevocably designated certain investments in equity securities as Designated FVOCI because these equity securities represent investments that the Group intends to hold for long term for strategic purposes. The Group considers the accounting treatments under this classification provide more relevant information for those investments.

The fair value of each investment classified as Designated FVOCI is as follows.

	Note	2019 *HK$'000*	2018 *HK$'000*
Equity securities – Listed			
Shengjing Bank Co., Ltd.		**1,149,500**	647,900
ZhongAn Online P&C Insurance Co., Ltd.		**448,546**	–
Evergrande Health Industry Group Ltd.		**181,585**	187,306
Hong Kong and Shanghai Hotels, Ltd		**97,908**	129,941
E-House (China) Enterprise Holdings Ltd.		**89,339**	23,717
X Financial		**41,417**	104,645
China Dili Group *(formerly known as Renhe Commercial Holdings Company Limited)*		**30,291**	33,382
JY Grandmark Holdings Ltd.		**29,451**	–
Tai United Holdings Ltd.		**24,758**	19,823
Kingston Financial Group Limited		**23,541**	54,732
Imagi International Holdings Ltd.		**–**	20,590
Others		**25,812**	48,449
		2,142,148	1,270,485
Equity securities – unlisted			
Satinu Resources Group Limited ("Satinu")	(b)	**604,705**	406,083
Co-Lead Holdings Limited ("Co-Lead")	(b)	**85,398**	110,708
Liberty Capital Limited ("Liberty")	18	**58,315**	–
青騅投資管理有限公司		**43,855**	69,702
Freewill Holdings Limited		**15,513**	57,209
Others		**38,900**	38,900
		846,686	682,602
		2,988,834	1,953,087

During the year ended 31 December 2019, Designated FVOCI with fair value of approximately HK$208,179,000 (2018: approximately HK$480,121,000) were disposed because they no longer matched with the Group's investment strategy. The cumulative gain of approximately HK$18,858,000 (2018: approximately HK$9,871,000) that was previously included in the investment revaluation reserve (non-recycling) was transferred directly to retained earnings during the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

17. FINANCIAL ASSETS AT FVOCI (Continued)

Notes: (Continued)

(a) (Continued)

During the year ended 31 December 2019, the net fair value gain on Designated FVOCI of approximately HK$211,392,000 (2018: net fair value loss of approximately HK$1,073,983,000) was recognised in other comprehensive income.

The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period. Details of the fair value measurements are set out in note 39 to the consolidated financial statements.

(b) As at 31 December 2019, the amount represented the investments in unlisted equity securities issued by private entities. Included in the unlisted investments as at 31 December 2019, the Group held approximately 2.95% (2018: approximately 2.95%) of the issued shares of Co-Lead in the amount of HK$85,398,000 (2018: approximately HK$110,708,000) and approximately 11.68% (2018: approximately 10.34%) of the issued shares of Satinu in the amount of HK$604,705,000 (2018: approximately HK$406,083,000), which are companies incorporated in the British Virgin Islands ("BVI"). Co-Lead and its subsidiaries principally engage in securities trading and investment holding business in Hong Kong and Satinu and its subsidiaries principally engage in integrated financial services, securities brokerage services, money lending, securities and other direct investments in Hong Kong.

The fair values of the unlisted investments are determined based on valuations carried out by an independent qualified professional valuer. Details of the fair value measurements are set out in note 39 to the consolidated financial statements.

(c) The Group held listed debt securities with principal amount of US$2,500,000 (equivalent to approximately HK$19,450,000) at 31 December 2019 which bear interest of 9.5% per annum and will be due in April 2022. During the year ended 31 December 2019, the net fair value loss on Mandatory FVOCI of US$72,000 (equivalent to approximately HK$560,000) was recognised in other comprehensive income. The fair value of the Mandatory FVOCI is determined on the basis of quoted market price at the end of the reporting period. Details of the fair value measurements are set out in note 39 to the consolidated financial statements.

Information about the Group's exposure to credit risks is included in note 38 to the consolidated financial statements.

18. INTERESTS IN ASSOCIATES

	2019	2018
	HK$'000	*HK$'000*
Unlisted shares		
Shares of net assets	**2,205**	5,088
Goodwill	**119**	119
	2,324	5,207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

18. INTERESTS IN ASSOCIATES (Continued)

Details of the associates at the end of the reporting period are as follows:

Name of entities	Country of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group % 2019	2018	Principal activities
Eternal Billion Holding Group Limited ("Eternal")	BVI	Hong Kong	Ordinary	**25**	25	Investment holding, investment advisory and management services
Topwish Holdings Limited ("Topwish")	BVI	Hong Kong	Ordinary	**25**	25	Investment holding and trading and investment of securities

On 30 April 2019, the Group entered into a subscription agreement with Liberty, an independent third party incorporated in Cayman Islands, to subscribe 440 newly issued shares of Liberty at a consideration of HK$59,840,000 which was settled by cash. Liberty and its subsidiaries principally engage in investment holding, securities brokerage and financial services, dealing in future contracts, asset management services, money lending and property holding in Hong Kong. The transaction was completed on the same day. Upon the completion of the acquisition, the Group had 30.56% equity interests in Liberty which became an associate of the Group.

In May 2019, Liberty issued 360 shares to a third party investor at a consideration of HK$48,960,000. Upon the completion of the share subscription, the Group's equity interests in Liberty reduced from 30.56% to 24.45%, resulting in a gain on deemed disposal of approximately HK$325,000.

In December 2019, Liberty further issued 2,000 shares to a third party investor at a consideration of HK$270,000,000. Upon the completion of the share subscription, the Group's equity interests in Liberty further reduced from 24.45% to 11.58% and Liberty has no longer been an associate of the Group. The Group irrevocably designated the investment in Liberty as Designated FVOCI because the Group intends to hold for long term for strategic purposes. At the initial recognition as Designated FVOCI, the fair value of investment in Liberty was HK$56,557,000, resulting in a loss on deemed disposal of approximately HK$3,635,000.

Fair value of investments

At the end of the reporting period, all of the Group's associates are private companies and there was no quoted market price available for the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

18. INTERESTS IN ASSOCIATES (Continued)

Financial information of associates

Summarised financial information of each of the associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

At 31 December 2019	**Liberty** *HK$'000*	**Eternal** *HK$'000*	**Topwish** *HK$'000*
Gross amount			
Non-current assets	–	–	12,451
Current assets	–	277	28,087
Current liabilities	–	(21)	(31,971)
Equity	–	256	8,567
Reconciliation			
Gross amount of equity	–	256	8,567
Group's ownership interests	–	25%	25%
Group's share of equity	–	64	2,141
Goodwill	–	92	27
Carrying amount of interests	–	156	2,168

Year ended 31 December 2019	**Liberty** *HK$'000*	**Eternal** *HK$'000*	**Topwish** *HK$'000*
Gross amount			
Revenue	2,682	–	3,062
Loss from continuing operations	(14,221)	(6)	(11,523)
Other comprehensive income	15,229	–	–
Total comprehensive income (loss)	1,008	(6)	(11,523)
Group's ownership interests	24.45%-30.56%*	25%	25%
Group's share of results	27	(2)	(2,881)

* Upon completion of share subscriptions of Liberty in May 2019 as mentioned above, the equity interests in Liberty changed from 30.56% to 24.45%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

18. INTERESTS IN ASSOCIATES (Continued)

Financial information of associates (Continued)

At 31 December 2018	Eternal *HK$'000*	Topwish *HK$'000*
Gross amount		
Non-current assets	–	12,606
Current assets	277	39,933
Current liabilities	(14)	(32,449)
Equity	263	20,090
Reconciliation		
Gross amount of equity	263	20,090
Group's ownership interests	25%	25%
Group's share of equity	66	5,022
Goodwill	92	27
Carrying amount of interests	158	5,049

Year ended 31 December 2018	Eternal *HK$'000*	Topwish *HK$'000*
Gross amount		
Revenue	–	4,621
Loss from continuing operations	(187)	(7,062)
Other comprehensive income	–	–
Total comprehensive loss	(187)	(7,062)
Group's ownership interests	25%	25%
Group's share of results	(47)	(1,765)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

19. INTANGIBLE ASSETS

The amount represents trading rights that confer eligibility on the Group to trade on the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until its useful life is determined to be finite.

20. OTHER DEPOSITS

	2019	2018
	HK$'000	*HK$'000*
Statutory and other deposits with exchanges and clearing houses	**503**	4,316

The above deposits are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

21. TRADE, LOAN AND OTHER RECEIVABLES

	Note	2019 *HK$'000*	2018 *HK$'000*
Trade receivables			
Trade receivables arising from the business of securities brokerage			
– cash clients		102	83
– margin clients	(b)	138,873	241,301
– Hong Kong Securities Clearing Company Limited ("HKSCC")	(c)	598	22,768
	(a)	139,573	264,152
Trade receivable arising from the provision of corporate finance advisory services		340	10
		139,913	264,162
Loan receivables			
Loan and interest receivables			
– from independent third parties		475,053	340,367
– from a related party	36	151,414	–
		626,467	340,367
Less: Loss allowance	38	(102,376)	(9,945)
	(d)	524,091	330,422
Less: Non-current portion		(210,653)	(22,098)
Current portion		313,438	308,324
Other receivables			
Deposits with securities brokers	(e)	886	55,421
Other receivable from non-controlling shareholder	34	–	60,000
Other receivables, deposits and prepayments		19,306	21,355
		20,192	136,776
		473,543	709,262

The trade, loan and other receivables of approximately HK$473,543,000 (2018: approximately HK$709,262,000) are expected to be recovered within one year, except for the deposits of approximately HK$13,525,000 (2018: approximately HK$9,954,000).

Information about the Group's exposure to credit risks and loss allowance for trade, loan and other receivables is included in note 38 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

21. TRADE, LOAN AND OTHER RECEIVABLES (Continued)

Notes:

(a) No aging analysis by invoice date is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of brokerage business. The Group offsets certain trade receivable and trade payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 40 to the consolidated financial statements.

(b) Trade receivables from margin clients are repayable on demand and bear interest ranging from 8% to 30% (2018: 8% to 30%) per annum for year ended 31 December 2019. The loans are secured by pledged marketable securities with a total fair value of approximately HK$434,135,000 (2018: approximately HK$1,376,032,000). The Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Group. During the years ended 31 December 2019 and 2018, no margin loans were granted to the directors of the Company or directors of subsidiaries.

(c) The settlement terms of trade receivables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date.

(d) At the end of the reporting period, loan receivables include both fixed and variable rate loan advances to independent third parties and a related party of which approximately HK$160,916,000 (2018: approximately HK$14,918,000) are secured by the pledge of certain collaterals and personal guarantees, bearing interest ranging from 3% to 48% (2018: 5% to 48%) per annum and have contractual loan period between 6 months and 30 years (2018: between 6 months and 12 years) under the Group's money lending operation. The remaining balance includes (i) a fixed rate loan advance to a related company of approximately HK$151,413,000 (2018: Nil) which is unsecured, bearing interest of 8% (2018: Nil) per annum and has contractual loan period of 18 months; and (ii) both fixed and variable rate loan advances to independent third parties of approximately HK$211,762,000 (2018: approximately HK$315,504,000) which are unsecured, bearing interest ranging from 5% to 36% (2018: 5% to 15%) per annum. The contractual loan period for majority of the unsecured loan receivables from third parties is between 3 months and 5 years (2018: between 3 months and 3 years).

The amount granted to individuals and corporates depends on management's assessment of credit risk of the customers by evaluation on background check (such as their profession, salaries and current working position for individual borrowers and their industry and financial position for corporate borrowers) and repayment abilities. For the year ended 31 December 2019, net impairment loss of approximately HK$92,431,000 (2018: approximately HK$9,945,000) is recognised for the loan receivables. Details are set out in note 38 to the consolidated financial statements.

(e) Deposits with securities brokers represented the funds deposited with the brokers' houses for securities trading purpose.

22. PROMISSORY NOTE RECEIVABLE

The amount as at 31 December 2018 represented a zero-coupon promissory note issued to an independent third party on 18 January 2018 which is at principal amount of HK$200,000,000 maturing on 31 December 2019. During the year ended 31 December 2019, the Group recognised interest income of approximately HK$7,771,000 (2018: approximately HK$13,853,000). At the end of the reporting period, the balance was fully settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

23. FINANCIAL ASSETS AT FVPL

	Note	2019 *HK$'000*	2018 *HK$'000*
Mandatorily measured at FVPL			
– Listed shares in Hong Kong		**2,022,155**	2,328,186
– Listed shares in the PRC		**–**	201,426
– Unlisted investment funds	(a)	**77,512**	55,738
– Unlisted convertible notes	(b)	**32,380**	–
		2,132,047	2,585,350

Notes:

(a) The unlisted investment funds are mainly subscribed from independent financial institutions. The portfolios of these funds mainly comprise securities listed in Hong Kong and overseas. The funds are redeemable at the discretion of the Group from time to time and the intention of holding them was for short-term investment.

(b) The unlisted convertible notes are subscribed from an independent third party at a consideration of HK$40,500,000 on 18 June 2019. The convertible notes are bearing coupon interest rate of 8% per annum in a principal amount of HK$81,000,000 which will mature on 31 December 2020. Based on conversion price of HK$0.05 per share, the Group could convert into a maximum of 1,620,000,000 ordinary shares of the issuer which is a listed entity.

At the date of purchase, the convertible notes was recognised at fair value of HK$78,880,000 which was determined based on valuation carried out by independent professional valuer. The difference between the transaction price and fair value of the convertible notes at purchase date of HK$38,380,000 was adjusted to deferred day-one gain. Subsequently, the deferred day-one gain is amortised over the term of the convertible notes on straight line basis.

During the year ended 31 December 2019, the convertible notes at fair value of approximately HK$49,017,000, determined based on valuation carried out by an independent qualified professional valuer, with deferred day-one gain of approximately HK$11,122,000 were converted into listed shares of the note issuer at market value of HK$44,280,000, resulting in a gain on conversion of approximately HK$6,385,000. The Group irrevocably designated the shares as Designated FVOCI at the date of conversion.

During the year ended 31 December 2019, interest income from unlisted convertible notes at FVPL amounting to approximately HK$1,197,000 was settled by scrip from the note issuer. The fair value of the shares at the date of distribution of interest is approximately HK$1,197,000 which is determined by the quoted market price. The Group irrevocably designated the shares as Designated FVOCI at the date of distribution of interest.

The fair value of the unlisted convertible notes is determined based on valuation carried out by independent qualified professional valuer at the end of reporting period. Details of the fair value measurements are set out in note 39 to the consolidated financial statements.

The movement of the investment in unlisted convertible notes is as follows:

	Fair value *HK$'000*	**Deferred day-one gain** *HK$'000*	**Total** *HK$'000*
At date of purchase	78,880	(38,380)	40,500
Fair value change	43,460	–	43,460
Amortisation (Note 8)	–	10,692	10,692
Derecognition upon conversion	(49,017)	11,122	(37,895)
Derecognition upon disposal	(31,324)	6,947	(24,377)
At 31 December 2019	**41,999**	**(9,619)**	**32,380**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

24. OTHER INVESTMENT

As at 31 December 2018, the other investment represented unlisted unit trusts in the PRC issued by an independent financial institution. The investment was in principal amount of RMB150,000,000 (equivalent to approximately HK$171,233,000) with fixed interest rate of 7% per annum and maturity date in November 2019. The principal amount of the investment was early redeemed in February 2019, with no gain or loss recognised in profit or loss.

25. BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS/CASH AND CASH EQUIVALENTS

Bank balances – trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions (Note 26). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Cash and cash equivalents

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Bank balances carry interest at prevailing market rate ranging from 0.001% to 0.4% (2018: 0.001% to 0.3%) per annum.

26. TRADE AND OTHER PAYABLES

	Note	**2019** **HK$'000**	2018 HK$'000
Trade payables			
Trade payables arising from the business of securities brokerage			
– cash clients	(a)	**1,711**	24,169
– margin clients	(a)	**20,754**	6,520
Secured margin loans from securities brokers	(b)	**415,516**	460,944
	21(a)	**437,981**	491,633
Other payables			
Other payables and accrued charges		**32,825**	18,627
		470,806	510,260

Notes:

(a) Trade payables to cash and margin clients are repayable on demand. In the opinion of the directors of the Company, no aging analysis is disclosed as the aging analysis does not give additional value.

(b) For secured margin loans from securities brokers, the loans are repayable on demand (except certain balances arising from trades pending settlement or margin deposits) and are interest-bearing at a range from 2.97% to 7.236% per annum (2018: 3.59% to 7.236% per annum). The total market value of debt and equity securities pledged as collateral in respect of the loans was approximately HK$2,318,260,000 (2018: approximately HK$1,717,626,000) as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

27. LEASE LIABILITIES

At 31 December 2019, the weighted average discount rate applied was 4.52% per annum.

Commitments and present value of lease liabilities:

	Minimum lease payments 2019 *HK$'000*	Present value of minimum lease payments 2019 *HK$'000*
Amounts payable:		
Within one year	11,044	10,521
In the second to fifth years inclusive	6,449	6,335
	17,493	16,856
Less: future finance charges	(637)	–
Total lease liabilities	16,856	16,856

28. LOAN PAYABLE

	2019 *HK$'000*	2018 *HK$'000*
Unsecured borrowing		
– Other loan	150,855	–

Note:

The above loan from an independent third party as at 31 December 2019 is unsecured, interest bearing of 6.5% per annum and repayable within 1 year from drawdown date.

29. PROMISSORY NOTE PAYABLE

The amount as at 31 December 2018 represented unsettled portion of a zero-coupon promissory note with principal amount of HK$320,000,000 maturing on 30 June 2019. It was issued by the Company relating to the acquisition of non-controlling interests in a subsidiary during the year ended 31 December 2018. During the year ended 31 December 2019, the Group recognised interest expenses of approximately HK$6,230,000 (2018: approximately HK$12,292,000) and the balance was fully repaid by proceeds from rights issue in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

30. DEFERRED TAXATION

The movement for the year in the Group's deferred tax assets (liabilities) was as follows:

	Unrealised (gain) loss on financial assets at FVPL	Depreciation allowance	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	(131,193)	–	–	(131,193)
Credit to profit or loss for the year (Note 11)	55,080	(1,180)	13,036	66,936
At 31 December 2018	(76,113)	(1,180)	13,036	(64,257)
Credit to profit or loss for the year (Note 11)	40,274	215	(1,764)	38,725
At 31 December 2019	**(35,839)**	**(965)**	**11,272**	**(25,532)**

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unrealised gain on financial assets at FVPL	**–**	–	**(35,839)**	(76,113)
Depreciation allowance	**–**	–	**(965)**	(1,180)
Tax losses	**11,272**	13,036	**–**	–
Deferred tax asset (liabilities)	**11,272**	13,036	**(36,804)**	(77,293)
Offsetting	**(11,272)**	(13,036)	**11,272**	13,036
Net deferred tax liabilities	**–**	–	**(25,532)**	(64,257)

At the end of the reporting period, the Group had unrecognised temporary differences arising from unused tax losses and unrealised loss on financial assets at FVPL of approximately HK$1,124,462,000 and HK$354,961,000 respectively (2018: approximately HK$858,692,000 and HK$169,731,000 respectively). Deferred tax assets have not been recognised due to the unpredictability of future profit available against which the Group can utilise the benefits therefrom. The tax losses do not expire under current tax legislation.

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31. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.05 (2018: HK$0.05) each		
Authorised:		
At 1 January 2018	20,000,000,000	1,000,000
At 31 December 2018, 1 January 2019 and **31 December 2019**	**20,000,000,000**	**1,000,000**

	Number of shares	Share capital *HK$'000*
Issued and fully paid:		
At 1 January 2018	2,905,883,141	145,294
Issue of shares on rights issue	2,905,883,141	145,294
At 31 December 2018, 1 January 2019 and **31 December 2019**	**5,811,766,282**	**290,588**

32. SHARE OPTION AND SHARE AWARD SCHEMES

2012 Scheme

On 17 May 2012, the Company adopted a share option scheme (the "2012 Scheme") which has a life of ten years from 17 May 2012. Under the 2012 Scheme, the Board of Directors may, at its discretion, offer the eligible persons (including any executive director) of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

On 29 March 2019, the Company granted 72,000,000 share options with no vesting conditions to 3 eligible persons of the Group at an exercise price of HK$0.82 per share. The validity period of the share options is 10 years from the date of grant (i.e. 29 March 2019 to 28 March 2029). The share options vest immediately as the eligible participants are not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments. The Company recognised the services provided in full of HK$24,720,000 at the date of grant. No share options were exercised during the year ended 31 December 2019.

2019 Scheme

On 19 December 2019, the Company adopted a share award scheme (the "2019 Scheme") which has a life of ten years from 19 December 2019. Under the 2019 Scheme, the Board of Directors may, at its discretion, issue awarded shares to the eligible persons (including any executive director) of the Company or its subsidiaries subject to the terms and conditions stipulated therein. No share award was granted during the year ended 31 December 2019.

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YEAR ENDED 31 DECEMBER 2019

32. SHARE OPTION AND SHARE AWARD SCHEMES (Continued)

The following tables disclose details of the Company's share options held by eligible persons (including directors) and movement in such holdings during the years ended 31 December 2019 and 2018:

	Number of the share options			
Option scheme	**Outstanding at 1 January 2019**	**Granted**	**Outstanding at 31 December 2019**	**Exercisable at 31 December 2019**
2012 Scheme	**–**	**72,000,000**	**72,000,000**	**72,000,000**
Weighted average exercise price	**–**	**HK$0.82**	**HK$0.82**	**HK$0.82**

	Number of the share options			
Option scheme	Outstanding at 1 January 2018	Lapsed	Outstanding at 31 December 2018	Exercisable at 31 December 2018
2012 Scheme	15,000,000	(15,000,000)	–	–
Weighted average exercise price	HK$3.00^	–	–	–

^ The exercise price of share options granted in prior years was adjusted to HK$3.00 following rights issue on 13 March 2017 and share consolidation on 7 November 2017, while the exercise price of these share options at the date of grant was HK$0.9.

During the year ended 31 December 2019, the Group recognised HK$24,720,000 (2018: Nil), with reference to the fair value of the share options determined at the date of grant using the Binomial model, as the equity-settled share-based payment expenses, with the corresponding amounts being credited to share option reserve.

The following assumptions were used to calculate the fair values of share options:

	29 March 2019
Grant date share price *(HK$)*	0.820
Exercise price *(HK$)*	0.820
Volatility	60.33%
Option life	10 years
Risk-free interest rate	2.11%
Dividend yield	2.44%
Annual post-vesting forfeiture (exit) rate	2.50%

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YEAR ENDED 31 DECEMBER 2019

33. OTHER CASH FLOW INFORMATION

Details of the changes in the Group's liabilities from financing activities are as follows:

For the year ended 31 December 2019

	Lease liabilities *HK$'000*	Loan payable *HK$'000*	Promissory note payable *HK$'000*	Total *HK$'000*
At 1 January 2019	–	–	193,770	193,770
Upon adoption of HKFRS 16	8,874	–	–	8,874
Restated at 1 January 2019	8,874	–	193,770	202,644
New leases	18,037	–	–	18,037
Interest expenses	510	5,770	6,230	12,510
Interest paid	(510)	(4,915)	–	(5,425)
Cash inflow (outflow) in financing activities:				
Drawdown of loan payable	–	150,000	–	150,000
Settlement of promissory note payable	–	–	(200,000)	(200,000)
Lease payments	(10,055)	–	–	(10,055)
At 31 December 2019	16,856	150,855	–	167,711

For the year ended 31 December 2018

	Loan payables *HK$'000*	Promissory notes payable *HK$'000*	Total *HK$'000*
At 1 January 2018	895,000	–	895,000
Interest expenses	23,943	12,292	36,235
Interest paid	(23,943)	–	(23,943)
Loss on early settlement of promissory notes	–	301,478	301,478
Cash inflow (outflow) in financing activities:			
Drawdown of loan payables	410,000	–	410,000
Repayment of loan payables	(1,305,000)	–	(1,305,000)
Settlement of promissory note payable	–	(120,000)	(120,000)
At 31 December 2018	–	193,770	193,770

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34. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2019, the former non-controlling shareholder has settled the other receivables of HK$60,000,000 relating to the acquisition of yacht as agreed in the sales and purchase agreement for the acquisition of subsidiary in 2018. During the year, the Company has paid additional deposit of approximately HK$1,290,000 for the acquisition of yacht and the total deposit paid of approximately HK$201,290,000 was recognised as property and equipment upon the delivery of the yacht.

During the year ended 31 December 2019, 37,878,594 shares of Satinu, unlisted equity securities issued by a private entity, at fair value of approximately HK$134,497,000 were received from a third party borrower for repayment of the loan and interest receivables of approximately HK$244,000,000 and other receivables of approximately HK$47,000, resulting in a loss on settlement of approximately HK$109,550,000. The Group irrevocably designated the shares of Satinu as Designated FVOCI at the date of repayment as the Group intends to hold for long term for strategic purposes. The fair value of shares received is determined at the date of repayment based on valuation carried out by an independent qualified professional valuer using the market approach.

35. ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY

On 4 April 2019, the Group acquired the remaining 37.5% equity interests of Noble Order Limited ("Noble Order") at consideration of HK$75,000,000 which was settled by cash. The acquisition was completed on the same date. Upon completion of the acquisition, Noble Order became a wholly owned subsidiary of the Company.

The carrying amount of the non-controlling interests in Noble Order at the date of acquisition was approximately HK$74,976,000 which represented proportionate share of carrying amount of net assets of Noble Order. The Group derecognised the non-controlling interest of approximately HK$74,976,000 and recognised directly in retained earnings attributable to owners of the Company of approximately HK$24,000 for the difference between (1) the amount by which the non-controlling interests are adjusted and (2) the fair value of the consideration payable.

36. RELATED PARTY TRANSACTIONS

Except for the remuneration to the key management personnel and those disclosed elsewhere in these consolidated financial statements, during the year, the Group had following transactions with related parties:

Related party relationship	Nature of transaction	**2019** ***HK$'000***	2018 *HK$'000*
A related company controlled by a director, Mr. Wong Yat Fai	Interest income from loan receivables	**1,414**	–

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 12.

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36. RELATED PARTY TRANSACTIONS (Continued)

Loans, quasi-loans and other dealings in favour of directors

		Outstanding amount				
Borrower	**Principal terms**	**Greatest during the year**	**At 31 December 2019**	At 31 December 2018	**Amount fallen due but unpaid**	**Provision for doubtful or bad debts**
		HK$'000	***HK$'000***	*HK$'000*	***HK$'000***	***HK$'000***
Entered into by the Company						
In favour of a director of the Company directly						
Freeman Opto Money Lending Corporation Limited	Loan receivable of HK$150,000,000 which is unsecured and bearing interest of 8% per annum	**151,414**	**151,414**	–	–	–

37. CAPITAL 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 shareholders 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 net debt, which includes loan payable and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities dealings and broking, corporate finance and investment advisory services which are regulated entities under the Securities and Futures Commission and require to comply with Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R") subject to the respective minimum capital requirements and liquid capital requirements. The management closely monitors the liquid capital requirements under SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by SF(FR)R throughout the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Note	2019 HK$'000	2018 HK$'000
Financial assets			
Mandatorily measured at FVPL		**2,132,047**	2,585,350
Amortised cost	(a)	**1,388,310**	2,480,352
Designated FVOCI		**2,988,834**	1,953,087
Mandatory FVOCI		**18,599**	–
Financial liabilities			
Amortised cost	(b)	**621,661**	704,030

Notes:

(a) Financial assets at amortised cost include other investment, promissory note receivable, trade, loan and other receivables (excluding certain deposits and prepayments), bank balances – trust and segregated accounts and cash and cash equivalents.

(b) Financial liabilities at amortised cost include trade and other payables and loan payable.

Financial risk management objectives and policies

At 31 December 2019, the Group's major financial instruments include Designated FVOCI, Mandatory FVOCI, trade, loan and other receivables, financial assets at FVPL, bank balances – trust and segregated accounts, cash and cash equivalents, trade and other payables and loan payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated and the management policies remain unchanged from prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Foreign currency risk

Certain bank balances are denominated in foreign currencies which expose the Group to foreign currency risk.

At the end of the reporting period, the Group had the following amounts denominated in currencies other than the functional currency of the relevant entities to which they relate.

	Assets	
	2019	2018
	HK$'000	*HK$'000*
RMB	**136,981**	867,465
US$	**5,433**	6,502

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The management considers the Group's exposure on foreign exchange rate risk from the remaining foreign currencies is minimal.

Sensitivity analysis

At the end of the reporting period, if exchange rate of RMB had changed against the functional currencies of the respective group entities by 4% (2018: 5%) and all other variables were held constant, the Group's loss before taxation would decrease/increase by approximately HK$5,479,000 (2018: approximately HK$43,373,000) as a result of changes in fair value of these assets.

Since the exchange rate of HK$ is pegged with US$, the Group does not expect any significant movements in the US$/HK$ exchange rates.

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and variable-rate loans to independent third parties. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate bank balances and variable-rate loans as a result of the change of market interest rate is insignificant due to low interest rates on bank balances and insignificant balance of variable-rate loans amounted to approximately HK$38,554,000 at the end of the reporting period, thus no sensitivity analysis is prepared for cash flow interest rate risk.

Equity price risk

The Group is exposed to equity price risk arising from investment in listed equity securities and listed debt securities which classified as financial assets at FVPL, Designated FVOCI and Mandatory FVCOI. The sensitivity analysis has been determined based on the exposure to equity price risk.

Sensitivity analysis

At the end of the reporting period, if the quoted market prices of the listed equity securities classified as financial assets at FVPL had been 4% (2018: 10%) higher or lower while all other variables were held constant, the Group's loss for the year would decrease/increase by approximately HK$67,540,000 (2018: approximately HK$211,223,000) as a result of changes in fair value of these financial assets. If the quoted market prices of the listed equity securities and listed debt securities classified as Designated FVOCI and Mandatory FVOCI had been 4% (2018: 10%) higher or lower while all other variables were held constant, the Group's other comprehensive income for the year would increase/decrease by approximately HK$86,430,000 (2018: other comprehensive loss would decrease/increase by approximately HK$127,049,000) as a result of changes in fair value of these financial assets.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the equity prices had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the investments of the Group would change in accordance with the market price and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant market price over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

The carrying amount of financial assets on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group reviews the recoverable amount of each individual financial assets at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables from margin clients

The Group provides financing services only to recognised and creditworthy third parties. It is the Group's policy that all these margin clients are subject to credit verification procedures. The margin loans are secured by pledged marketable securities and margin is set to ensure that certain proportion of the fair value of pledged marketable securities of the individual margin clients is sufficiently higher than the corresponding outstanding loans.

The Group's customer base consists of a wide range of clients and the trade receivables from margin clients are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience, loan to value ratio which determined using current trade receivable balances and pledged marketable securities and adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

After considering the above factors, the management assess that all of the trade receivables from margin clients have not had a significant increase in credit risk and 12-month ECL will be recognised. The management of the Group considers the 12-month ECL of trade receivables from margin clients to be insignificant, so no loss allowance was recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Loan receivables

Management has money lending policies in place and the exposure to the credit risk is monitored on an ongoing basis. The Group grants loans only to recognised and creditworthy third party and related party borrowers. It is the Group's policy that all these borrowers are subject to credit verification procedures. Also, the Group has other monitoring procedures to ensure that follow-up action is promptly taken to recover overdue debts.

As at 31 December 2019, the Group has concentration of credit risk as 29% and 66% (2018: 30% and 95%) of total loan receivables was due from the Group's largest borrower and the five largest borrowers respectively, within the money lending segment.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience for the borrowers and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

The Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of three categories of internal credit rating. The information about the ECL for the loan receivables as at 31 December 2019 is summarised below. After considering the above factors, a loss allowance of approximately HK$102,376,000 (2018: approximately HK$9,945,000) was recognised as at 31 December 2019.

At 31 December 2019

Internal credit rating	Gross carrying amount *HK$'000*	ECL	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Performing (Note i)	451,045	12-month	6,829	444,216
Underperforming (Note ii)	173,793	Lifetime	93,973	79,820
Not performing (Note iii)	1,629	Lifetime	1,574	55
	626,467		102,376	524,091

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YEAR ENDED 31 DECEMBER 2019

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Loan receivables (Continued)

At 31 December 2018

Internal credit rating	Gross carrying amount *HK$'000*	ECL	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Performing (Note i)	287,639	12-month	3,262	284,377
Underperforming (Note ii)	51,089	Lifetime	5,109	45,980
Not performing (Note iii)	1,639	Lifetime	1,574	65
	340,367		9,945	330,442

Note:

(i) Performing (Normal Credit Quality) refers to the loans that have not had a significant increase in credit risk and ECL in the next 12 months will be recognised;

(ii) Underperforming (Significant Increase in Credit Risk) refers to the loans that have had a significant increase in credit risk and for which the lifetime ECL will be recognised;

(iii) Not performing (Credit-impaired) refers to the loans that have objective evidence of impairment and for which the lifetime ECL will be recognised.

Aging analysis

Aging analysis of loan receivables (net of loss allowance) prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Less than 1 month	**115,332**	100,556
1 to 3 months	**151,414**	205,949
4 to 6 months	**64,504**	–
7 to 12 months	**180,878**	217
Over 12 months	**11,963**	23,700
At the end of the reporting period	**524,091**	330,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Loan receivables (Continued)

Aging analysis (Continued)

Aging analysis of loan receivables (net of loss allowance) prepared based on contractual due date is as follows:

	2019 HK$'000	2018 HK$'000
Not yet past due	495,966	330,357
Less than 1 month past due	2,940	–
4 to 6 months past due	4,059	–
7 to 12 months past due	21,071	–
Over 12 months past due	55	65
At the end of the reporting period	524,091	330,422

As at 31 December 2019, the Group recognised loss allowance of approximately HK$102,376,000 (2018: approximately HK$9,945,000) on its loan receivables. The movement in the loss allowance for loan receivables during the year is summarised below.

	2019			
	12-month ECL	Lifetime ECL		
	Performing HK$'000	Under-performing HK$'000	Not performing HK$'000	Total HK$'000
At the beginning of the reporting period	3,262	5,109	1,574	9,945
Increase in allowance	3,567	125,503	–	129,070
Reversal of allowance upon recovery of loan	–	(36,639)	–	(36,639)
At the end of the reporting period	6,829	93,973	1,574	102,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Loan receivables (Continued)

	2018			
	12-month ECL	Under- performing		
	Performing	Under-performing	Not performing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the reporting period, as previously reported	–	–	–	–
Effect of adoption of HKFRS 9	–	–	–	–
At the beginning of the reporting period, as restated	–	–	–	–
Increase in allowance	3,262	5,109	1,574	9,945
Reversal of allowance upon recovery of loan	–	–	–	–
At the end of the reporting period	3,262	5,109	1,574	9,945

The management closely monitors the credit quality of the loans and there are no indications that the loan receivables neither past due nor impaired will be uncollectible.

Mandatory FVOCI

The Group's Mandatory FVOCI includes listed debt securities with counterparties that have a credit rating of at least B2 from Moody's. The debt securities are considered having low credit risk based on the counterparties' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default, therefore, the credit risk associate is minimal. No loss allowance was recognised for the year.

Other receivables

The Group considers that other receivables have low credit risk based on the debtors' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default, therefore, the credit risk associated with other receivables is minimal. No loss allowance was recognised for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Deposits with financial institution

The credit risk on bank balances – trust and segregated accounts and cash and cash equivalents is limited because majority of the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation. No loss allowance was recognised for both years.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both principal and interest cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 year	1 to 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2019
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019					
Non-derivative financial liabilities					
Amounts due to cash and margin clients	–	22,465	–	22,465	22,465
Secured margin loans from securities brokers	–	415,516	–	415,516	415,516
Other payables and accrued charges	–	32,825	–	32,825	32,825
Loan payable	6.5%	154,034	–	154,034	150,855
Lease liabilities	4.52%	11,044	6,449	17,493	16,856
		635,884	6,449	642,333	638,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate	On demand or less than 1 year	1 to 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2018
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018					
Non-derivative financial liabilities					
Amounts due to cash and margin clients	–	30,689	–	30,689	30,689
Secured margin loans from securities brokers	–	460,944	–	460,944	460,944
Other payables and accrued charges	–	18,627	–	18,627	18,627
Promissory note payable	6.59%	200,000	–	200,000	193,770
		710,260	–	710,260	704,030

39. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

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39. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	2019	2018		
1) Investments in listed equity securities classified as financial assets at FVPL	**Listed equity securities in:** **– Hong Kong HK$2,022,155,000**	Listed equity securities in: – Hong Kong HK$2,328,186,000 – The PRC HK$201,426,000	Level 1	Quoted bid prices in an active market
2) Investments in unlisted investment funds classified as financial assets at FVPL	**HK$77,512,000**	HK$55,738,000	Level 2	Derived from quoted prices from pricing services based on net asset value of the funds
3) Investments in unlisted convertible notes classified as financial assets at FVPL	**HK$32,380,000**	–	Level 3	Discounted cash flow method and binomial tree model, based on spot price, volatility and discount rate
4) Investments in listed equity securities classified as Designated FVOCI	**Listed equity securities in:** **– Hong Kong HK$2,096,293,000** **– United States HK$45,855,000**	Listed equity securities in: – Hong Kong HK$1,165,840,000 – United States HK$104,645,000	Level 1	Quoted bid prices in an active market
5) Investments in unlisted equity securities classified as Designated FVOCI	**–**	HK$167,917,000	Level 2	Determined by an independent professional qualified valuer by reference to available market information adjusted to reflect liquidity of the investments
6) Investments in unlisted equity securities classified as Designated FVOCI	**HK$58,315,000**	–	Level 2	Determined by the management by reference to available market information adjusted to reflect liquidity of the investments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

39. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

Financial assets	Fair value as at 2019	Fair value as at 2018	Fair value hierarchy	Valuation techniques and key inputs
7) Investments in unlisted equity securities classified as Designated FVOCI	**HK$749,471,000**	HK$475,785,000	Level 3	Derived from unobservable inputs for the asset or liability by an independent professional qualified valuer
8) Investments in unlisted equity securities classified as Designated FVOCI	**HK$38,900,000**	HK$38,900,000	Level 2	Estimated by external fund manager by reference to recent comparable transactions
9) Investments in listed debt securities classified as Mandatory FVOCI	**Listed debt securities in: – Singapore HK$18,599,000**	–	Level 1	Quoted bid prices in an active market

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

39. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

There were no transfers between Level 1 and Level 2 fair value measurement in both years. There were transfers between Level 2 and Level 3 fair value measurements.

The details of the movements of the fair value measurements categorised as Level 3 of the fair value hierarchy during the years ended 31 December 2019 and 2018 are as follows:

Movements in Level 3 fair value measurements
2019

Description	Financial assets at FVPL Unlisted convertible notes *HK$'000*	Designated FVOCI Unlisted equity securities *HK$'000*	Total *HK$'000*
At the beginning of the year	–	475,785	475,785
Additions (Note 34)	–	134,497	134,497
Purchases	40,500	–	40,500
Sales	(24,377)	–	(24,377)
Converted	(37,895)	–	(37,895)
Total gains or losses			
reported as "net gain (loss) on sales of financial assets at FVPL" in profit or loss	30,889	–	30,889
reported as "net unrealised fair value (loss) gain on financial assets at FVPL" in profit or loss	12,571	–	12,571
reported as "fair value change on Designated FVOCI" in other comprehensive income	–	(27,173)	(27,173)
Amortisation of deferred day-one gain	10,692	–	10,692
Exchange alignment	–	(1,555)	(1,555)
Transfers into Level 3 (Note i, ii)	–	167,917	167,917
At the end of the reporting period	32,380	749,471	781,851

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YEAR ENDED 31 DECEMBER 2019

39. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

Movements in Level 3 fair value measurements (Continued)

2018

Description	Designated FVOCI Unlisted equity securities 2018 *HK$'000*
At the beginning of the year	–
Additions to Designated FVOCI upon initial adoption of HKFRS 9	
– Transfer to Designated FVOCI from available-for-sale investments at cost	744,226
Fair value gains upon initial application of HKFRS 9	303,535
Fair value losses reported as "fair value change on Designated FVOCI" in other comprehensive income	(571,976)
At the end of the reporting period	475,785

Notes:

(i) The transfer from Level 2 to Level 3 fair value measurements for the year ended 31 December 2019 was due to significant increase in unobservable inputs.

(ii) The Group's policy is to recognise transfers into Level 3 as at the beginning of the reporting period in which the transfer occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

39. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

The quantitative information of the significant unobservable input and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

Description	Fair value at 31 December 2019 HK$'000	Valuation techniques	Unobservable input	Sensitivity of fair value to changes in unobservable inputs
Assets				
Financial assets at FVPL				
(a) unlisted convertible notes	32,380	Discounted cash flow method and binomial tree model	Discount rate of 19.8%	If the discount rate increased/decreased by 5%, the fair value of the unlisted convertible notes would decrease/increase by HK$1,066,000/HK$1,158,000.
Designated FVOCI				
(a) unlisted equity securities in BVI	604,705	Market approach	a) The mean of market value of invested capital-to-total asset ("MVIC/Total assets") ratios of the comparable companies of 0.81	a) If the MVIC/Total assets ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$22,104,000.
			b) The mean of price-to-net assets ("P/B") ratios of the comparable companies of 0.94	b) If the P/B ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$16,950,000.
			c) Weighting factor of 50:50 for fair value arrived by MVIC/Total assets ratio and P/B ratio	c) If the weighting factor was changed to 55:45/45:55 for fair value arrived by MVIC/Total assets ratio and P/B ratio, the fair value of the unlisted equity securities would decrease/increase by HK$7,327,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

39. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement (Continued)

Description	Fair value at 31 December 2019 HK$'000	Valuation techniques	Unobservable input	Sensitivity of fair value to changes in unobservable inputs
Assets				
Designated FVOCI (Continued)				
(b) unlisted equity securities in the PRC	43,855	Market approach	a) The mean of MVIC/Total assets ratios of the comparable companies of 1.1 b) The mean of P/B ratios of the comparable companies of 0.9 c) Weighting factor of 50:50 for fair value arriving by MVIC/Total assets ratio and P/B ratio	a) If the MVIC/Total assets ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$1,244,000. b) If the P/B ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$948,000. c) If the weighting factor was changed to 55:45/45:55 for fair value arriving by MVIC/Total assets ratio and P/B ratio, the fair value of the unlisted equity securities would increase/decrease by HK$592,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement (Continued)

Description	Fair value at 31 December 2019 HK$'000	Valuation techniques	Unobservable input	Sensitivity of fair value to changes in unobservable inputs
Assets				
Designated FVOCI (Continued)				
(c) unlisted equity securities in BVI	85,398	Adjusted net asset value method	a) The mean of MVIC/Total assets ratios of the comparable companies of 0.81 b) The mean of P/B ratios of the comparable companies of 0.94 c) Weighting factor of 50:50 for fair value arrived by MVIC/Total assets ratio and P/B ratio d) Discount rate of 13.836%	a) If the MVIC/Total assets ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$231,000. b) If the P/B ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$177,000. c) If the weighting factor was changed to 55:45/45:55 for fair value arriving by MVIC/Total assets ratio and P/B ratio, the fair value of the unlisted equity securities would decrease/increase by HK$76,000. d) If the discount rate increased/decreased by 5%, the fair value of the unlisted equity securities would decrease/increase by HK$1,678,000/HK$1,832,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

39. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement (Continued)

Description	Fair value at 31 December 2019 HK$'000	Valuation techniques	Unobservable input	Sensitivity of fair value to changes in unobservable inputs
Assets				
(d) unlisted equity securities in BVI	15,513	Adjusted net asset value method	a) The mean of MVIC/ Total assets ratios of the comparable companies of 0.81 b) The mean of P/B ratios of the comparable companies of 0.94 c) Weighting factor of 50:50 for fair value arrived by MVIC/Total assets ratio and P/B ratio d) Discount rate (x) of 13.836% e) Discount rate (y) of 13.817%	a) If the MVIC/Total assets ratio increased/decreased by 5%, the fair value of the unlisted equity securities would increase/ decrease by HK$328,000. b) If the P/B ratio increased/ decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$251,000. c) If the weighting factor was changed to 55:45/45:55 for fair value arriving by MVIC/Total assets ratio and P/B ratio, the fair value of the unlisted equity securities would decrease/ increase by HK$109,000. d) If the discount rate (x) increased/ decreased by 5%, the fair value of the unlisted equity securities would decrease/increase by HK$2,386,000/HK$2,605,000. e) If the discount rate (y) increased/ decreased by 5%, the fair value of the unlisted equity securities would increase/decrease by HK$4,905,000/HK$5,394,000.

The fair value of the unlisted equity securities without an active market classified in Level 3 fair value measurement was determined by the management based on the valuation from Grant Sherman Appraisal Limited, an independent professional qualified valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

39. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value (Continued)

Valuation process

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will establish the appropriate valuation techniques and inputs to the model. Management reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

(b) Fair value of the Group's financial assets and financial liabilities carried at other than fair value

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the continuous net settlement arrangement, money obligations receivable and payable with HKSCC due to or from the Group entities on the same settlement date are settled on a net basis. The Group has legally enforceable right to set off the amounts of receivables and payables with cash clients and margin clients that are due to be settled on the same date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (Continued)

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position are as follows:

	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019						
Trade receivables from cash clients	**102**	**–**	**102**	**–**	**(40)**	**62**
Trade receivables from margin clients	**142,470**	**(3,597)**	**138,873**	**–**	**(138,873)**	**–**
Trade receivables from HKSCC	**3,853**	**(3,255)**	**598**	**–**	**–**	**598**
Financial assets at FVPL	**2,132,047**	**–**	**2,132,047**	**(415,516)**	**–**	**1,716,531**

	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018						
Trade receivables from cash clients	83	–	83	–	(27)	56
Trade receivables from margin clients	246,322	(5,021)	241,301	–	(241,301)	–
Trade receivables from HKSCC	26,605	(3,837)	22,768	–	–	22,768
Financial assets at FVPL	2,585,350	–	2,585,350	(460,944)	–	2,124,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (Continued)

	Gross amounts of recognised financial liabilities	**Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position**	**Net amounts of financial liabilities presented in the consolidated statement of financial position**	**Related amount not set off in the consolidated statement of financial position**		**Net amount**
				Financial instruments	**Collateral pledged**	
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
As at 31 December 2019						
Trade payables to cash clients	**(1,711)**	**–**	**(1,711)**	**–**	**–**	**(1,711)**
Trade payables to margin clients	**(24,351)**	**3,597**	**(20,754)**	**–**	**–**	**(20,754)**
Trade payables to HKSCC	**(3,255)**	**3,255**	**–**	**–**	**–**	**–**
Secured margin loans from securities brokers	**(415,516)**	**–**	**(415,516)**	**–**	**415,516**	**–**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018						
Trade payables to cash clients	(24,169)	–	(24,169)	–	–	(24,169)
Trade payables to margin clients	(11,541)	5,021	(6,520)	–	–	(6,520)
Trade payables to HKSCC	(3,837)	3,837	–	–	–	–
Secured margin loans from securities brokers	(460,944)	–	(460,944)	–	460,944	–

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position are measured on the same basis as the recognised financial assets and financial liabilities, which is amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

41. RETIREMENT BENEFIT SCHEMES

In December 2000, the Group enrolled all Hong Kong employees in a Mandatory Provident Fund ("MPF") Scheme. The assets of the MPF Scheme are held separately from those of the Group under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid and payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

During the year ended 31 December 2019, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income is approximately HK$653,000 (2018: approximately HK$675,000).

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
			2019		2018		
			Directly	Indirectly	Directly	Indirectly	
Ace Energy Holdings Limited	BVI – limited liability company	US$1	100	-	100	–	Investment holding
Citizens Money Lending Corporation Limited	Hong Kong – limited liability company	HK$10,000	-	100	–	100	Money lending
Enerchina Resources Limited	Hong Kong – limited liability company	HK$2	100	-	100	–	Provision of management services
Enerchine Corporate Finance Limited	Hong Kong – limited liability company	HK$10,000,000	-	100	–	100	Corporate finance advisory services
Enerchine Nominee Limited	Hong Kong – limited liability company	HK$1	-	100	–	100	Provision of nominee services
Global Mind Investment Limited	BVI – limited liability company	US$1	-	100	–	100	Investment holding
Kenson Investment Limited	Bermuda– limited liability company	US$1	-	100	–	100	Securities trading and investments
Noble Order (Note ii)	BVI – limited liability company	HK$91,476,207	-	100	–	62.5	Holding of Yacht and motor vehicles
Nu Kenson Limited	BVI – limited liability company	US$1	-	100	–	100	Securities trading and investments
Roxy Link Limited	BVI – limited liability company	US$1	-	100	–	100	Securities investment
Smart Jump Corporation	BVI – limited liability company	US$1	-	100	–	100	Securities trading and investments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
			2019		2018		
			Directly	Indirectly	Directly	Indirectly	
Uptown Enerchine Capital Limited	Cayman Islands – limited liability company	HK$0.001	–	100	–	100	Investment holding
Uptown WW Group Limited	BVI – limited liability company	Nil	–	100	–	100	Holding of Yacht and motor vehicles
Uptown WW Value Investments Limited	BVI – limited liability company	Nil	–	100	–	100	Investment holding
Win Wind Capital Limited	BVI – limited liability company	US$2,359,000,000	100	–	100	–	Investment holding
Win Wind Corporate Services Limited	Hong Kong – limited liability company	HK$1	–	100	–	100	Provision of management services
WWind Investments Limited	BVI – limited liability company	Nil	–	100	–	100	Investment holding
Win Wind Resources Limited	Hong Kong – limited liability company	HK$150,000,001	–	100	–	100	Money lending
Win Wind Securities Limited	Hong Kong – limited liability company	HK$589,000,000	–	100	–	100	Securities brokerage and financial services
威華達信息管理(深圳)有限公司 (Note iii)	PRC – limited liability company	RMB10,000,000	100	–	100	–	Investment holding
深圳威華軒信息諮詢有限公司	PRC – limited liability company	RMB24,000,000	–	75	–	75	Investment holding

Notes:

(i) Except for Kenson Investment Limited, none of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the reporting period.

(ii) Details of changes in ownership interests of subsidiaries are set out in note 35 to the consolidated financial statements.

(iii) 威華達信息管理(深圳)有限公司 is a wholly foreign owned enterprise.

The above list includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or assets and liabilities of the Group. To give details of all other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Investments in subsidiaries		**3,845,764**	4,092,855
Amounts due from subsidiaries		**4,047,058**	3,207,357
Designated FVOCI		**–**	20,591
		7,892,822	7,320,803
Current assets			
Other receivables, deposits and prepayments		**1,081**	1,452
Cash and cash equivalents		**145,219**	6,231
		146,300	7,683
Current liabilities			
Other payables and accrued charges		**9,610**	2,191
Amounts due to subsidiaries		**1,480,895**	1,106,842
Loan payable		**150,855**	–
Promissory note payable		**–**	193,770
		1,641,360	1,302,803
Net current liabilities		**(1,495,060)**	(1,295,120)
NET ASSETS		**6,397,762**	6,025,683
Capital and reserves			
Share capital	31	**290,588**	290,588
Reserves	(a)	**6,107,174**	5,735,095
TOTAL EQUITY		**6,397,762**	6,025,683

This statement of financial position was approved and authorised for issue by the Board of Directors on 23 March 2020 and is signed on its behalf by:

Sam Nickolas David Hing Cheong
Director

Wong Wan Men Margaret
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

(a) Movement of the reserves

	Note	Share premium *HK$'000*	Contributed surplus *HK$'000*	Investment revaluation reserve (recycling) *HK$'000*	Investment revaluation reserve (non-recycling) *HK$'000*	Share option reserve *HK$'000* (Note 32)	Retained earnings (Accumulated losses) *HK$'000*	Total *HK$'000*
At 1 January 2018		4,619,426	44,396	(26,081)	–	14,333	3,512	4,655,586
Impact on initial application of HKFRS 9		–	–	26,081	(26,081)	–	–	–
As restated		4,619,426	44,396	–	(26,081)	14,333	3,512	4,655,586
Loss for the year		–	–	–	–	–	(26,041)	(26,041)
Other comprehensive income								
Items that will not be reclassified to profit or loss								
Fair value change on Designated FVOCI reclassified to retained earnings upon disposal		–	–	–	(8,900)	–	8,900	–
Fair value change on Designated FVOCI		–	–	–	43,844	–	–	43,844
Total other comprehensive income for the year		–	–	–	34,944	–	8,900	43,844
Total comprehensive income for the year		–	–	–	34,944	–	(17,141)	17,803
Transactions with owners:								
Contributions and distributions								
Share options lapsed		–	–	–	–	(14,333)	14,333	–
Issue of new shares upon rights issue		1,119,824	–	–	–	–	–	1,119,824
Dividend paid	13	–	–	–	–	–	(58,118)	(58,118)
		1,119,824	–	–	–	(14,333)	(43,785)	1,061,706
At 31 December 2018		5,739,250	44,396	–	8,863	–	(57,414)	5,735,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: (Continued)

(a) Movement of the reserves (Continued)

	Note	Share premium HK$'000	Contributed surplus HK$'000	Investment revaluation reserve (non-recycling) HK$'000	Share option reserve HK$'000 (Note 32)	(Accumulated losses) Retained earnings HK$'000	Total HK$'000
At 1 January 2019		5,739,250	44,396	8,863	–	(57,414)	5,735,095
Profit for the year		–	–	–	–	454,212	454,212
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Fair value change on Designated FVOCI reclassified to retained earnings upon disposal		–	–	(18,246)	–	18,246	–
Fair value change on Designated FVOCI		–	–	9,383	–	–	9,383
Total other comprehensive income for the year		–	–	(8,863)	–	18,246	9,383
Total comprehensive income for the year		–	–	(8,863)	–	472,458	463,595
Transactions with owners:							
Contributions and distributions							
Recognition of equity-settled share-based payments		–	–	–	24,720	–	24,720
Dividend paid	13	–	–	–	–	(116,236)	(116,236)
Transfer	(i)	(5,739,250)	5,681,836	–	–	57,414	–
		(5,739,250)	5,681,836	–	24,720	(58,822)	(91,516)
At 31 December 2019		–	5,726,232	–	24,720	356,222	6,107,174

Note:

(i) Pursuant to the laws of Bermuda and the Company's Bye-laws, the entire amount of approximately HK$5,739,250,000 standing to the credit of the share premium account was reduced to nil in which the credit of approximately HK$5,681,836,000 and approximately HK$57,414,000 arising from the share premium reduction were transferred to the contributed surplus account and set off the entire amount of the accumulated losses of the Company at 31 December 2018 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

44. EVENT AFTER THE REPORTING PERIOD

In addition to the events disclosed elsewhere in these consolidated financial statements, the Group had the following subsequent events:

Grant of share options and awarded shares

On 22 January 2020, the Board resolved to (i) grant an aggregate of 120,000,000 share options to 10 eligible persons at an exercise price of HK$0.865 per share under the 2012 Scheme, of which, 100,000,000 share options will be granted to 9 independent eligible persons and 20,000,000 share options will be granted to an executive director, Ms. Wong Wan Men Margaret, and (ii) award an aggregate of 95,000,000 awarded shares to the same 10 eligible persons under the 2019 Scheme, of which, 85,000,000 awarded shares will be awarded to 9 independent eligible persons and 10,000,000 connected awarded shares will be awarded to an executive director, Ms. Wong Wan Men Margaret, by way of issue and allotment of new shares pursuant to the specific mandate.

Impact of Coronavirus Disease 2019 ("COVID-19")

In view of the outbreak of COVID-19 in January 2020 in the PRC, the PRC authority has taken certain measures for the national prevention and control of the spread of COVID-19 which has brought certain impacts on the overall economy not only in the PRC. Subsequently, the worldwide pandemic of the virus triggered the implementation of more protective measures by the governments in different countries such as travel restriction. The worldwide capital markets were seriously affected during the past weeks, which could have impact on the business of the Group, especially securities investment business. The extent of the impact depends on the duration and the further development of the pandemic and the effectiveness of regulatory policies and relevant protective measures to be implemented by the governments. The management was unable to reliably estimate the financial impact of the spread of COVID-19 at this stage, however, the management would closely monitor the development and situation of the COVID-19 and continue to assess its potential impacts on the financial position and operating results of the Group and take necessary action to mitigate those impacts.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Represented)	*(Represented)*	*(Represented)*		
RESULTS					
Revenue	348,313	(91,113)	55,472	(94,493)	**282,333**
Net unrealised fair value gain (loss) on financial assets at FVPL	649,118	(878,900)	399,605	183,199	**(419,809)**
Profit (Loss) before taxation	864,084	(1,137,223)	86,308	(21,241)	**(396,101)**
Taxation	(151,013)	101,357	(65,019)	19,865	**36,087**
Profit (Loss) for the year	713,071	(1,035,866)	21,289	(1,376)	**(360,014)**
Attributable to:					
Owners of the Company	713,071	(941,990)	57,464	21,035	**(360,031)**
Non-controlling interests	–	(93,876)	(36,175)	(22,411)	**17**
Profit (Loss) for the year	713,071	(1,035,866)	21,289	(1,376)	**(360,014)**

	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	5,522,952	6,386,378	7,768,416	7,268,722	**6,840,212**
Total liabilities	(424,512)	(1,784,662)	(1,429,052)	(769,304)	**(665,723)**
	5,098,440	4,601,716	6,339,364	6,499,418	**6,174,489**
Equity attributable to owners of the Company	5,041,956	4,365,478	6,082,343	6,414,015	**6,170,118**
Convertible notes reserve	48,850	–	–	–	**–**
Non-controlling interests	7,634	236,238	257,021	85,403	**4,371**
	5,098,440	4,601,716	6,339,364	6,499,418	**6,174,489**