CONVOY GLOBAL HOLDINGS LIMITED
康宏環球控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1019)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

Key financial information:	**2018** *HK$'000*	2017 *HK$'000*	*Change* *%*
Revenue	**802,739**	863,885	-7.1
Loss before tax	**(616,485)**	(1,422,208)	-56.7
EBITDA	**(542,715)**	(1,333,391)	-59.3

The board (the "Board") of directors (the "Directors") of Convoy Global Holdings Limited (the "Company" or "Convoy") and its subsidiaries (collectively referred to as the "Group" or "Convoy Group") is pleased to present the consolidated results of the Group for the year ended 31 December 2018, together with the comparative amounts for the corresponding period of last year as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
REVENUE	*5*	**802,739**	863,885
Other income and gains, net	*5*	**53,886**	41,534
Commission and advisory expenses		**(561,821)**	(631,423)
Staff costs		**(294,775)**	(297,099)
Depreciation		**(27,663)**	(37,996)
Loss attributable to non-controlling investors of investment funds		**1,609**	13,919
Other expenses		**(504,698)**	(525,332)
Finance costs	*6*	**(46,107)**	(50,821)
Impairment of financial assets		**(26,734)**	(377,483)
Impairment of investment in an associate		**–**	(321,242)
Share of losses of associates		**(11,064)**	(95,993)
Share of loss of a joint venture		**(1,857)**	(4,157)
LOSS BEFORE TAX		**(616,485)**	(1,422,208)
Income tax expenses	*7*	**(5,164)**	(29,623)
LOSS FOR THE YEAR	*8*	**(621,649)**	(1,451,831)
Other comprehensive income after tax:			
Items that will not be reclassified to profit or loss:			
Change in fair value of equity investments at fair value through other comprehensive income		**8,014**	–
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale investments		**–**	15,206
Reclassification adjustment to profit or loss on impairment of available-for-sale investments		**–**	66,443
Reclassification adjustment to profit or loss on disposal of available-for-sale investments		**–**	(21,916)
Exchange differences on translating foreign operations		**(1,306)**	33,868
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**6,708**	93,601
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(614,941)**	(1,358,230)

	Notes	**2018** *HK$'000*	2017 *HK$'000*
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(617,802)**	(1,435,341)
Non-controlling interests		**(3,847)**	(16,490)
		(621,649)	(1,451,831)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(611,094)**	(1,340,310)
Non-controlling interests		**(3,847)**	(17,920)
		(614,941)	(1,358,230)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*10*		
Basic (HK cents)		**(7.94)**	(18.45)
Diluted (HK cents)		**(7.94)**	(18.45)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**25,655**	64,021
Investment properties		**65,500**	65,600
Goodwill		**–**	–
Intangible assets		**–**	–
Investments in associates	*11*	**73,832**	166,409
Investment in a joint venture		**–**	1,857
Deferred tax assets		**220**	231
Held-to-maturity investments		**–**	7,985
Available-for-sale investments	*12*	**–**	927,817
Equity investments at fair value through other comprehensive income	*13*	**157,979**	–
Investments at fair value through profit or loss	*14*	**1,035,461**	–
Loans receivable	*15*	**312,000**	417,360
Prepayments, deposits and other receivables		**24,226**	21,464
Contract assets		**448,125**	–
Restricted cash		**15,754**	15,688
		2,158,752	1,688,432
Current assets			
Held-to-maturity investments		**–**	10,200
Financial assets at fair value through profit or loss	*16*	**–**	624,815
Investments at fair value through profit or loss	*14*	**447,732**	–
Accounts receivable	*17*	**58,784**	101,645
Contract assets		**211,136**	–
Loans receivable	*15*	**333,820**	363,211
Prepayments, deposits and other receivables		**131,591**	38,015
Due from a joint venture		**–**	644
Due from an associate		**11,330**	2,834
Due from a related party		**–**	723
Due from a director		**723**	–
Tax recoverable		**41,351**	43,314
Cash held on behalf of clients		**309,648**	409,231
Pledged bank deposit		**10,250**	10,169
Cash and cash equivalents		**1,402,246**	2,021,552
		2,958,611	3,626,353

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Current liabilities			
Accounts payable	*18*	**571,306**	554,963
Other payables and accruals		**435,163**	488,055
Due to related parties		**353**	–
Net assets attributable to redeemable participation rights		**5,392**	7,001
Financial liabilities at fair value through profit or loss	*16*	**–**	167
Tax payable		**12,470**	7,898
		1,024,684	1,058,084
Net current assets		**1,933,927**	2,568,269
Total assets less current liabilities		**4,092,679**	4,256,701
Non-current liabilities			
Accounts payable	*18*	**249,833**	–
Other payables and accruals		**64,922**	106,915
Issued bonds	*19*	**525,487**	595,508
Deferred tax liabilities		**1,392**	1,404
		841,634	703,827
NET ASSETS		**3,251,045**	3,552,874
Equity attributable to owners of the Company			
Share capital	*20*	**777,860**	777,860
Reserves		**2,510,669**	2,814,957
		3,288,529	3,592,817
Non-controlling interests		**(37,484)**	(39,943)
TOTAL EQUITY		**3,251,045**	3,552,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. CORPORATE AND GROUP INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

The Group has initially adopted HKFRS 9 (2014) "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 and the Group has changed its accounting policies as a result of adopting these standards. The impact of the adoption of these standards and the nature and effect of the changes in accounting policies are further described below.

A. HKFRS 9 (2014) "Financial Instruments"

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for consolidated financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Notes	**Category**	**Amount**	**Reclassification**	**ECL**	**Amount**	**Category**
			HK$000	*HK$000*	*HK$000*	*HK$000*	
Financial assets							
Held-to-maturity investments		HTM	18,185	(18,185)	–	–	N/A
Available-for-sale investments		AFS	927,817	(927,817)	–	–	N/A
Investments at fair value through profit or loss		N/A	–	1,552,632	–	1,552,632	FVPL
Financial assets at fair value through profit or loss		FVPL	624,815	(624,815)	–	–	N/A
Accounts receivable	*(i)*	L&R	101,645	–	(84)	101,561	AC
Loans receivable	*(i)*	L&R	780,571	–	645	781,216	AC
Prepayments, deposits and other receivables	*(i)*	L&R	59,479	18,185	(5,701)	71,963	AC
Restricted cash		L&R	15,688	–	–	15,688	AC
Cash held on behalf of clients		L&R	409,231	–	–	409,231	AC
Pledged bank deposit		L&R	10,169	–	–	10,169	AC
Cash and cash equivalents		L&R	2,021,552	–	–	2,021,552	AC
Total financial assets			4,969,152			4,964,012	

Category:
HTM: Held-to-maturity investments
AFS: Available-for-sale investments
L&R: Loans and receivables
AC: Financial assets or financial liabilities at amortised cost
FVPL: Financial assets/investments at fair value through profit or loss

Note:

(i) The Group has remeasured the carrying amounts of the accounts receivable, loans receivable and prepayments, deposits and other receivables

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017 *HK$'000*	Re-measurement *HK$'000*	**ECL allowances under HKFRS 9 at 1 January 2018** ***HK$'000***
Accounts receivable	1,743	84	**1,827**
Loans receivable	81,152	(645)	**80,507**
Prepayments, deposits and other receivables	310,379	5,701	**316,080**
	393,274	5,140	**398,414**

Effect on the Group's accumulated losses and other reserves as of 1 January 2018

The following tables summarise the impact of transition to HKFRS 9 on accumulated losses and reserves and the related tax impact at 1 January 2018:

Accumulated losses

	HK$'000
Accumulated losses as at 31 December 2017	1,590,026
Additional loss allowance as a result of the application of HKFRS 9	5,140
Transfer from AFS revaluation reserve to accumulated losses relating to equity securities that were previously classified as available-for-sale financial assets and measured at fair value under HKAS 39 (classified as FVPL under HKFRS 9)	(72,933)
Restated balance as at 1 January 2018 *	1,522,233

* The amounts in this column are before the adjustment for the effect of adoption of HKFRS 15, please see note B below.

Available-for-sale investments revaluation reserve

	HK$'000
Available-for-sale investments revaluation reserve at 31 December 2017	72,933
Transfer from AFS revaluation reserve to accumulated losses relating to equity securities that were previously classified as available-for-sale financial assets and measured at fair value under HKAS 39 (classified as FVPL under HKFRS 9)	(72,933)
Restated balance as at 1 January 2018	–

B. HKFRS 15 "Revenue from Contracts With Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

Information about the Group's accounting policies and the performance obligations resulting from application of HKFRS 15 are disclosed in note 3.

	Carrying amount at 31 December 2017	Effect of adoption of HKFRS 15	**Carrying amount at 1 January 2018***
	HK$'000	*HK$'000*	***HK$'000***
Consolidated statement of financial position (extract)			
Accounts receivable	101,645	–	**101,645**
Contract assets	–	723,399	**723,399**
Accounts payable	554,963	406,565	**961,528**
Accumulated losses	1,590,026	(316,834)	**1,273,192**

* The amounts in this column are before the adjustment for the effect of adoption of HKFRS 9, please see note A above.

The following tables summarise the estimated impact of adoption of HKFRS 15 on the group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

Line items in the consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2018 impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) *HK$'000*	Hypothetical amounts under HKASs 18 and 11 (B) *HK$'000*	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) *HK$'000*
REVENUE	802,739	891,233	(88,494)
Commission and advisory expenses	(561,821)	(610,562)	48,741
LOSS BEFORE TAX	(616,485)	(576,732)	(39,753)
LOSS FOR THE YEAR	(621,649)	(581,896)	(39,753)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	(617,802)	(578,049)	(39,753)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	(611,094)	(571,341)	(39,753)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (HK cents)	(7.94)	(7.43)	(0.51)
Diluted (HK cents)	(7.94)	(7.43)	(0.51)

Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) *HK$'000*	Hypothetical amounts under HKASs 18 and 11 (B) *HK$'000*	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) *HK$'000*
Non-current assets			
Contract assets	448,125	–	448,125
Current assets			
Accounts receivable	58,784	58,784	–
Contract assets	211,136	–	211,136
Current liabilities			
Accounts payable	571,306	438,959	132,347
Net current assets	1,933,927	1,855,138	78,789
Total assets less current liabilities	4,092,679	3,565,765	526,914
Non-current liabilities			
Accounts payable	249,833	–	249,833
NET ASSETS	3,251,045	2,973,964	277,081
Equity attributable to owners of the Company			
Reserves	2,510,669	2,233,588	277,081
TOTAL EQUITY	3,251,045	2,973,964	277,081

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group except for the HKFRS 16 "Leases". The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

If the Group adoption of HKFRS 16 "Leases", the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of the date of initial application.

As at 31 December 2018, the Group have operating lease commitments of leasee approximately HK$87,868,000. The Group will recognise the discounted operating lease commitment of leasee to lease liabilities and right-of-use assets.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

Revenue and Results

Year ended 31 December 2018

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

Year ended 31 December 2017

	IFA segment *HK$'000*	Money lending segment *HK$'000*	Proprietary investment segment *HK$'000*	Asset management segment *HK$'000*	Corporate finance segment *HK$'000*	Securities dealing segment *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue								
External	886,827	79,230	(265,023)	46,371	5,999	110,481	–	863,885
Inter-segment	–	–	–	3,706	4,070	–	(7,776)	–
Segment revenue	886,827	79,230	(265,023)	50,077	10,069	110,481	(7,776)	863,885
Results								
Segment results	(498,973)	(53,824)	(883,920)	3,860	(9,125)	77,680	–	(1,364,302)
Unallocated income								
Other income and gains, net								38,093
Unallocated corporate expenses								
Staff costs								(36,731)
Other expenses								(58,596)
Others								(672)
Loss before tax								(1,422,208)
Income tax								(29,623)
Loss for the year								(1,451,831)

Segment Assets and Liabilities

As at 31 December

	2018	2017
	HK$'000	*HK$'000*
Segment assets		
IFA segment	**769,228**	165,280
Money lending segment	**516,875**	713,053
Proprietary investment segment	**1,964,759**	1,750,863
Asset management segment	**304,700**	373,269
Corporate finance segment	**2,150**	1,579
Securities dealing segment	**45,568**	176,562
Total segment assets	**3,603,280**	3,180,606
Unallocated assets		
Cash and cash equivalents	**1,402,246**	2,021,552
Other receivables	**3,748**	1,485
Investment properties	**65,500**	65,600
Tax recoverable	**41,351**	43,314
Deferred tax assets	**220**	231
Others	**1,018**	1,997
Total assets	**5,117,363**	5,314,785
Segment liabilities		
IFA segment	**908,556**	578,444
Money lending segment	**486,024**	675,808
Proprietary investment segment	**86,756**	31,903
Asset management segment	**292,597**	359,670
Corporate finance segment	**177**	1,039
Securities dealing segment	**26,646**	63,188
Total segment liabilities	**1,800,756**	1,710,052
Unallocated liabilities		
Other payables and accruals	**51,700**	41,256
Tax payable	**12,470**	7,898
Deferred tax liabilities	**1,392**	1,404
Others	**–**	1,301
Total liabilities	**1,866,318**	1,761,911

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

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

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

Geographical Information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**711,337**	1,054,967
PRC	**41,434**	72,107
Macau	**1,421**	1,834
	754,192	1,128,908

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

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**561,767**	148,341
PRC	**1,680**	2,612
Macau	**59**	132
	563,506	151,085

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

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Revenue from contracts with customers:		
IFA segment		
IFA commission income	**589,012**	779,054
Management fee income	**102,809**	107,773
	691,821	886,827
Asset management segment		
Asset management service income	**5,233**	46,371
Corporate finance segment		
Corporate finance service income	**400**	5,999
Securities dealing segment		
Share placing commission income	**–**	12,324
Securities dealing commission income	**1,682**	11,373
	1,682	23,697
Total revenue from contracts with customers	**699,136**	962,894
Other revenue:		
Money lending segment		
Interest income from loan financing	**53,893**	79,230
Proprietary investment segment		
Fair value changes on financial assets at fair value through profit or loss, net	**–**	(58,584)
Fair value changes on financial assets designated at fair value through profit or loss, net	**–**	(251,033)
Fair value changes on investments at fair value through profit or loss, net	**(38,090)**	–
Gain on disposal of investments at fair value through profit or loss	**61,094**	–
Gain on disposal of available-for-sale investments	**–**	21,916
Interest income from debt investments	**969**	12,933
Dividend income	**24,574**	9,745
	48,547	(265,023)
Securities dealing segment		
Interest income from margin financing	**1,163**	86,784
Total revenue	**802,739**	863,885

	2018	2017
	HK$'000	*HK$'000*
Other income and gains, net		
Bank interest income	**5,008**	522
Other interest income	**39**	152
Service fee income	**4,862**	3,555
Gain on disposal of subsidiaries	**38,413**	28,789
Gross rental income	**2,049**	1,999
Foreign exchange differences, net	**–**	1,307
Written back of other payables and accruals	**311**	–
Others	**3,204**	5,210
	53,886	41,534

Disaggregation of revenue from contracts with customers:

Segments	IFA segment	Asset management segment	Corporate finance segment	Securities dealing segment	2018 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Geographical markets					
Hong Kong	**648,966**	**5,233**	**400**	**1,682**	**656,281**
Mainland China	**41,434**	**–**	**–**	**–**	**41,434**
Macau	**1,421**	**–**	**–**	**–**	**1,421**
Total	**691,821**	**5,233**	**400**	**1,682**	**699,136**
Major products/service					
IFA commission income	**589,012**	**–**	**–**	**–**	**589,012**
Service income	**102,809**	**5,233**	**–**	**–**	**108,042**
Corporate finance fee income	**–**	**–**	**400**	**–**	**400**
Commission income	**–**	**–**	**–**	**1,682**	**1,682**
	691,821	**5,233**	**400**	**1,682**	**699,136**
Timing of revenue recognition					
At a point in time	**691,821**	**5,233**	**400**	**1,682**	**699,136**
Over time	**–**	**–**	**–**	**–**	**–**
Total	**691,821**	**5,233**	**400**	**1,682**	**699,136**

Segments	IFA segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	2017 Total HK$'000
Geographical markets					
Hong Kong	812,886	46,371	5,999	23,697	888,953
Mainland China	72,107	–	–	–	72,107
Macau	1,834	–	–	–	1,834
Total	886,827	46,371	5,999	23,697	962,894
Major products/service					
IFA commission income	779,054	–	–	–	779,054
Service income	107,773	46,371	–	–	154,144
Corporate finance fee income	–	–	5,999	–	5,999
Commission income	–	–	–	23,697	23,697
	886,827	46,371	5,999	23,697	962,894
Timing of revenue recognition					
At a point in time	886,827	46,371	5,999	23,697	962,894
Over time	–	–	–	–	–
Total	886,827	46,371	5,999	23,697	962,894

IFA commission income

The Group provide IFA services to the customers. IFA commission income is recognised on an accrual basis when the relevant services are rendered and in accordance with the terms of the underlying agreements or based on the commissioning of the respective insurance policies and pension schemes.

Referral and commission income from the provision of relevant services are recognised on an accrual basis in accordance with the terms of the underlying agreements. A contract assets is recognised for the expected commission receivable from customers in relation to the services rendered.

Corporate finance fee income

The Group provide corporate finance services to the customers. Corporate finance fee income from placing and underwriting of securities and bonds is recognised on execution of each significant act based on the terms and conditions of the relevant agreement or deal mandate.

Commission income from securities brokerage

The Group provide the securities dealing services and share placing services to the customers. Commission income from securities brokerage is recognised on the transaction dates when the relevant contract notes are exchanged.

Service income

The Group provide IFA advisory services and asset management services to the customers. Service income is recognised on an accrual basis when services have been rendered.

A receivable is recognised when the services are rendered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
Issued bonds	**45,983**	46,224
Bank borrowings	**–**	2,437
Other borrowings	**124**	2,160
	46,107	50,821

7. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2018	2017
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**3,859**	18,599
Under/(Over)-provision in prior years	**587**	(18,295)
Current tax — Overseas		
Provision for the year	**719**	479
Under-provision in prior years	**–**	18
Deferred tax	**(1)**	28,822
	5,164	29,623

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2018	2017
	HK$'000	*HK$'000*
Depreciation charge of property, plant and equipment	**27,663**	37,996
Auditor's remuneration		
— Audit services	**3,500**	3,500
Loss on disposal of property, plant and equipment	**978**	2,050
Loss on disposal of an associate	**5,353**	2,300
Gain on disposals of subsidiaries	**(38,413)**	(28,789)
Gain on disposals of available-for-sale investment	**–**	(21,916)
Fair value loss/(gain) on investment properties	**100**	(4,500)
Operating lease charges		
— Land and buildings	**68,472**	57,815
Legal and professional fee	**240,517**	77,833
Marketing expenses	**69,357**	26,482
Foreign exchange (gain)/loss, net	**–**	(1,307)
Write off of property, plant and equipment	**–**	2,057
Provision for buying back of investment brokerage products	**–**	137,448
Provision for buying back of investment in private equity funds	**–**	76,914
Provision for compensation payable	**–**	20,000
Impairment of goodwill	**–**	23,541
Impairment of investment in an associate	**–**	321,242
Impairment of investment in a joint venture	**–**	162
Impairment of property, plant and equipment	**11,963**	2,597
Impairment of financial assets		
Impairment of available-for sale investments	**–**	66,443
Impairment of loans receivable	**3,545**	30,084
Impairment of accounts receivable	**1,048**	1,743
Impairment of prepayment, deposits and other receivables	**21,196**	279,213
Impairment of due from a joint venture	**945**	–
	26,734	377,483
Staff costs including directors' emoluments		
— Salaries, allowances, bonuses and benefits in kind	**282,642**	238,816
— Equity-settled share-based payments	**–**	40,697
— Pension scheme contributions	**12,133**	17,586
	294,775	297,099

9. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 7,778,596,000 (2017: 7,778,596,000) in issue during the year.

No adjustment had been made to the basic loss per share amount presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of the warrants and share options of the Company outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculations of the basic and diluted earnings per share are based on:

	2018	2017
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company used in the basic and diluted loss per share calculation	**(617,802)**	(1,435,341)

	Number of shares	
	2018	2017
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**7,778,596,000**	7,778,596,000

11. INVESTMENTS IN ASSOCIATES

	2018	2017
	HK$'000	*HK$'000*
Listed investments in Hong Kong:		
Share of net assets	**–**	284,913
Goodwill	**–**	99,482
	–	384,395
Unlisted investments:		
Share of net assets	**73,832**	103,256
Impairment loss *(Note (i))*	**–**	(321,242)
	73,832	166,409

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group		Principal activities
			2018	2017	
First Credit Finance Group Limited ("First Credit") (i)	Ordinary shares	Cayman Islands/ Hong Kong	**N/A**	29.5%	Provision and arrangement of credit facilities in Hong Kong
JFA Capital (ii)	Participating shares	Cayman Islands	**60.2%**	60.2%	Investment fund
Fubon Convoy Asset Management (HK) Limited ("FCAM") (iii)	Ordinary shares	Hong Kong	**51.0%**	51.0%	Inactive

Notes:

(i) During the year ended 31 December 2016, the Group acquired 29.5% interest in First Credit from open market for an aggregate consideration of approximately HK$372,473,000. In the opinion of the Directors, the Group was in a position to exercise significant influence over First Credit and its investment in First Credit is then accounted for as an associate of the Group. The shares of First Credit are listed on GEM of the Stock Exchange (stock code: 8215). As at 31 December 2016, the market value of the Group's investment in First Credit was approximately HK$497,736,000.

On 24 November 2017, the Securities and Futures Commission directed the Stock Exchange to suspend all dealings in the shares of First Credit. As at 31 December 2017, the Directors of the Group considered all the facts and circumstances for the purpose of determining the value in use and the recoverable amounts and assessed the most appropriate treatment to account for the Group's investment in First Credit be HK$63,153,000, resulting in impairment loss amounting to HK$321,242,000. On 8 June 2018, the Group's entire 29.5% interest in First Credit was sold to an independent third party at a consideration of HK$57,800,000 and resulting a loss on disposal of an associate of approximately HK$5,353,000 for the year ended 31 December 2018.

(ii) On 22 February 2016, the Group appointed 1 out of 3 directors to the board of directors of JFA Capital. JFA Capital has also appointed an independent party as the fund manager. Pursuant to the memorandum of association of JFA Capital, the participating shares have no voting rights but entitled the holder to dividends declared and residual interests of the investment fund upon winding up. In the opinion of the Directors, the Group does not obtain control but has significant influence over JFA Capital.

As at 3 May 2018, the Group has been appointed as the fund manager. In the opinion of the Directors, the Group, however, does not obtain control but has significant influence over JFA Capital and classifies JFA Capital as an associate of the Group.

(iii) FCAM was incorporated on 23 February 2017. The Group, through its wholly-owned subsidiary, holds 51% equity interest in FCAM while the remaining equity interest is held by another shareholder (the "Other Shareholder"). Pursuant to the shareholders' agreement of FCAM, each shareholder (as long as each not hold less than 25%) shall have the right to nominate and remove two directors while the Other Shareholder has the right to appoint one of the directors as chairman of the board. All decision making shall be by a simple majority or two-third vote of the directors. The chairman of the board of FCAM (who is not the representative appointed by the Group) has the casting vote in cases when the votes are equally divided. As at the end of the reporting period, the board comprised four directors where two directors were appointed by the Group and the other two directors, including the chairman, were appointed by the Other Shareholder. In the opinion of the Directors, the Group has only significant influence over FCAM.

There was no commitment and contingent liability in respect of associates as at 31 December 2018 and 2017.

12. AVAILABLE-FOR-SALE INVESTMENTS

	2017
	HK$'000
Available-for-sale investments, at fair value	
— listed equity investments	120,256
— unlisted equity investments	435,571
— unlisted fund investments	358,290
— club debentures	13,700
Total	927,817

There was significant or prolonged decline in the fair value of certain unlisted fund investments during the year ended 31 December 2017. The Directors consider that such a decline indicated that the unlisted fund investments have been impaired and an impairment loss of HK$66,443,000, which included a reclassification from other comprehensive income, has been recognised in profit or loss for the year ended 31 December 2017.

The unlisted funds investments of HK$358,290,000 represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$358,290,000, which represents the fair value as at 31 December 2017. During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018
	HK$'000
Unlisted equity securities	
— unlisted equity investments	**157,979**

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the consolidated profit or loss.

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2018** **HK$'000**
Equity securities, at fair value		
— listed equity investments		**526,975**
— club debentures		**16,500**
		543,475
Unlisted equity securities		
— unlisted equity investments		**552,605**
— unlisted fund investments	*(i)*	**365,603**
		918,208
Convertible note receivables	*(ii)*	**21,510**
		21,510
Total		**1,483,193**
Analysed as:		
Current assets		**447,732**
Non-current assets		**1,035,461**
		1,483,193

Notes:

(i) The unlisted funds investments of HK$365,603,000 represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$365,603,000 which represents the fair value as at 31 December 2018. During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

(ii) Included in the balance is a convertible note issued by China Green (Holdings) Limited ("China Green"), a company's shares listed on the Main Board of the Stock Exchange (stock code: 904), of HK$Nil. On 18 November 2015, the Group advanced a loan of HK$190,000,000 to China Green with original maturity on 18 May 2016, bearing interest of 13.9% ("China Green Loan") and was classified as loans receivable as at 31 December 2015. During the year ended 31 December 2016, China Green issued a convertible loan note of HK$190,000,000 with coupon rate of 12% per annum and matured on 22 August 2017 ("China Green Convertible Note") to the Group. Upon maturity, the Group may subscribe a maximum of 1,418,666,666 shares at HK$0.15 per share, representing 16.97% of enlarged capital of China Green based on the existing capital structure as at 31 December 2016. Accordingly, the Group derecognised the China Green Loan with a carrying value of HK$190,000,000 from loans receivable and recognised the China Green Convertible Note with a fair value of HK$305,270,000 as financial assets designated as at fair value through profit and loss on the issue date of the China Green Convertible Note on 22 August 2016, resulting a gain of HK$115,270,000 which has recognised in the profit or loss for the year ended 31 December 2016.

On 15 December 2016, the Group entered into a modification deed with China Green to extend the China Green Convertible Note to 22 August 2019 with zero coupon and the conversion price is changed from HK$0.15 per share to HK$0.10 per share. The effective date of the modified terms is 17 February 2017.

Subsequently, at maturity of the China Green Convertible Note on 22 August 2019, the management of China Green defaulted by failing to repay any of the principal amount of HK$190,000,000. The Management of the Group endeavored to negotiate a resolution to the situation with the management of China Green, but in vain by having constant refusal for communication in any form. The Management of the Group is in the view that neither the principal amount nor any default interest will be recovered and decides to fully impair all outstanding amount of the convertible note in year of 2017.

15. LOANS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Loans receivable from:		
Money lending business	**724,376**	770,764
Securities dealing business — margin financing	**5,496**	90,959
	729,872	861,723
Less: impairment losses	**(84,052)**	(81,152)
	645,820	780,571
Analysed as:		
Current assets	**333,820**	363,211
Non-current assets	**312,000**	417,360
	645,820	780,571

Loans receivable arising from the money lending business of the Group bear interest at rates ranging from 0% to 20% per annum (2017: 1% to 15% per annum). The grants of these loans were approved and monitored by the management of the relevant subsidiaries of the Group. As at 31 December 2018, certain loans receivable with an aggregate carrying amount of HK$142,178,000 (2017: HK$216,650,000) were secured by the pledge of collaterals and unsecured loans of approximately HK$87,048,000 (2017: HK$89,000,000) were provided with personal guarantees by certain independent third parties.

Loans receivable arising from the margin financing business in the securities dealing segment are secured by the pledge of customers' securities as collateral. As at 31 December 2018, the total value of securities pledged as collateral in respect of the margin receivables was approximately HK$38,648,000 (2017: HK$400,020,000) based on the market value of the securities at the end of the reporting period.

As at 31 December 2018, loans receivable of approximately HK$3,070,000 (2017: HK$Nil) are due from Mr. Shin Kin Man who was appointed as a director of the Company with effect from 15 January 2018. The loans receivable are unsecured, interest-bearing and have fixed repayment terms.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Past due within 1 month	1 to 2 months past due	2 to 3 months past due	Over 3 months past due	Total
At 31 December 2018						
Weighted average expected loss rate	**1.48%**	**0.00%**	**0.00%**	**0.00%**	**100.00%**	
Receivable amount (HK$'000)	**653,124**	**2,348**	**–**	**–**	**74,400**	**729,872**
Loss allowance (HK$'000)	**(9,652)**	**–**	**–**	**–**	**(74,400)**	**(84,052)**
At 31 December 2017						
Weighted average expected loss rate	3.38%	0.00%	0.00%	0.00%	70.98%	
Receivable amount (HK$'000)	768,737	14,725	–	585	77,676	861,723
Loss allowance (HK$'000)	(26,018)	–	–	–	(55,134)	(81,152)

16. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss

	Notes	2017 *HK$'000*
Financial assets at fair value through profit or loss — held for trading		
Listed equity investments — Hong Kong		386,344
Listed equity investments — Overseas		58,293
Unlisted fund investments	*(i)*	67,558
		512,195
Financial assets designated at fair value		
Private equity investments		8,106
Convertible note receivables	*(ii)*	104,514
		112,620
		624,815

Financial liabilities at fair value through profit or loss

	2018 ***HK$'000***	2017 *HK$'000*
Short position — held for trading		
Listed equity investments — Hong Kong	**–**	54
Listed equity investments — Overseas	**–**	113
	–	167

Notes:

(i) The unlisted funds investments of HK$67,558,000 represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$67,558,000 which represents the fair value as at 31 December 2017. The total size of these unconsolidated structured entities is HK$4,899,257. During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support. The above investments were designated upon initial recognition of financial assets at fair value through profit or loss.

(ii) Included in the balance is a convertible note issued by China Green (Holdings) Limited ("China Green"), of which its shares are listed on the Main Board of the Stock Exchange (stock code: 904), amounted of HK$Nil (2017: HK$Nil) in 2018. On 18 November 2015, the Group advanced a loan of HK$190,000,000 to China Green with original maturity on 18 May 2016, bearing interest of 13.9% ("China Green Loan") and was classified as loans receivable as at 31 December 2015. During the year ended 31 December 2016, China Green issued a convertible loan note of HK$190,000,000 with coupon rate of 12% per annum and matured on 22 August 2017 ("China Green Convertible Note") to the Group. Upon maturity, the Group may subscribe a maximum of 1,418,666,666 shares at HK$0.15 per share, representing 16.97% of enlarged capital of China Green based on the existing capital structure as at 31 December 2016. Accordingly, the Group derecognised the China Green Loan with a carrying value of HK$190,000,000 from loans receivable and recognised the China Green Convertible Note with a fair value of HK$305,270,000 as financial assets designated as at fair value through profit and loss on the issue date of the China Green Convertible Note on 22 August 2016, resulting a gain of HK$115,270,000 which has recognised in the profit or loss for the year ended 31 December 2016.

On 15 December 2016, the Group entered into a modification deed with China Green to extend the China Green Convertible Note to 22 August 2019 with zero coupon and the conversion price is changed from HK$0.15 per share to HK$0.10 per share. The effective date of the modified terms is 17 February 2017.

Subsequently, at maturity of the China Green Convertible Note on 22 August 2019, the management of China Green defaulted by failing to repay any of the principal amount of HK$190,000,000. The Management of the Group endeavored to negotiate a resolution to the situation with the management of China Green, but in vain by having constant refusal for communication in any form. The Management of the Group is in the view that neither the principal amount nor any default interest will be recovered and decides to fully impair all outstanding amount of the convertible note. As at 31 December 2017, the fair value of the convertible note amounted HK$Nil, thus an impairment of HK$233,060,000 was made during the year of 2017.

17. ACCOUNTS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Accounts receivable from:		
Product issuers	**50,779**	65,580
Customers	**6,377**	19,924
Cash clients	**198**	2,399
Brokers and dealers	**2,520**	1,143
Clearing houses	**–**	14,342
	59,874	103,388
Less: Provision for impairment	**(1,090)**	(1,743)
	58,784	101,645

The normal settlement terms of accounts receivable from product issuers arising from provision of brokerage services are within 45 days upon the execution of the insurance policies, investment product subscription agreements and/or receipt of statements from product issuers. Product issuers represent mainly non-bank financial institutions which provide products for the Group's IFA business.

Credit terms with customers of investment advisory, funds dealing, asset management and corporate finance services are mainly 30 to 60 days or a credit period mutually agreed between the contracting parties.

The normal settlement terms of accounts receivable arising from the provision of securities dealing business are within 2 days after trade date, which these accounts receivable are from cash clients, brokers and clearing houses.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An aging analysis of the accounts receivable as at the end of the reporting period, based on the date of recognition of revenue, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**54,033**	93,764
1 to 2 months	**721**	1,393
2 to 3 months	**1,329**	1,667
Over 3 months	**2,701**	4,821
	58,784	101,645

18. ACCOUNTS PAYABLE

	2018	2017
	HK$'000	*HK$'000*
Accounts payable to:		
Consultants	**54,579**	136,196
Consultants in related to contract assets	**449,673**	–
Cash held on behalf of clients from securities dealing business	**23,347**	90,653
Cash held on behalf of clients from asset management business	**292,219**	328,114
Cash held on behalf of clients from insurance brokerage business	**1,321**	–
	821,139	554,963
Analysed as:		
Current liabilities	**571,306**	554,963
Non-current liabilities	**249,833**	–
	821,139	554,963

Accounts payable to consultants arising from provision of IFA services and asset management services, are generally settled within 30 days to 120 days upon receipt of payments from product issuers/fund houses by the Group.

Accounts payable to clearing house, brokers, clients arising from the securities dealing businesses and asset management businesses are repayable on settlement date. The normal settlement terms of the said accounts payable are, in general, within 2 days after the trade date.

An aging analysis of accounts payable (excluding accounts payable to consultants in relation to contract assets) at the end of reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
Cash held on behalf of clients		
Repayable on demand	**316,887**	418,767
Accounts payable:		
Within 1 month/repayable on demand	**28,939**	85,342
1 to 2 months	**1,032**	28,732
2 to 3 months	**634**	759
3 to 6 months	**14,370**	21,363
6 to 12 months	**112**	–
1 to 2 years	**9,492**	–
	371,466	554,963

Accounts payable are non-interest-bearing.

Included in the accounts payable were commission payables totaling HK$353,000 (2017: HK$365,000) to the spouse, a brother and a cousin of a director of the Company (the director was appointed on 15 January 2018 and prior to the appointment, the director is also a director of the Group's major operating subsidiary) who are consultants of the Group, which are payable on terms similar to those offered to other consultants of the Group.

19. ISSUED BONDS

	2018 *HK$'000*	2017 *HK$'000*
Unsecured unlisted bonds, at nominal value		
Repayable after one year but within five years	**565,500**	625,500
Repayable after five years	**–**	10,000
	565,500	635,500
Discount and issue costs	**(40,013)**	(39,992)
	525,487	595,508
Analysed as:		
Non-current liabilities	**525,487**	595,508

At the end of the reporting period, the particulars of bonds issued by the Company are as follows:

Straight bond	Placing period	Maturity from issue date	Coupon rate	Effective interest rate	Principal outstanding 2018 *HK$'000*	2017 *HK$'000*
A	8 July 2014–7 July 2015	7th anniversary	6%	7.53%	**40,000**	50,000
B	16 September 2014–15 September 2015	7th anniversary	6%	7.53%	**290,000**	300,000
E	21 January 2015–20 January 2016	7th anniversary	6%	7.53%	**235,500**	285,500
					565,500	635,500

All bonds are unsecured and contain no conversion feature.

20. SHARE CAPITAL

	2018 *HK$'000*	2017 *HK$'000*
Authorised:		
20,000,000,000 (2017: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
7,778,596,000 (2017: 7,778,596,000) ordinary shares of HK$0.10 each	**777,860**	777,860

During the years ended 31 December 2018 and 2017, no movement in the Company's authorised and issued share capital was noted.

According to the audited financial statements of the Company for the year ended 31 December 2016 as contained in the 2016 Annual Report, the issued and fully paid share capital of the Company as at 31 December 2016 was stated to be 14,938,896,000 ordinary shares ("Original Share Capital"). For the purpose of these financial statements, a total of 7,160,300,000 ordinary shares (representing approximately 47.93% of the Original Share Capital) shall be null and void and/or invalid and/or rescinded, and such ordinary shares shall be recognised and stated as reserve (rather than share capital) as a matter of financial reporting.

Out of the Original Share Capital, an aggregate of 7,508,300,000 ordinary shares ("Amended Specific Mandate Placing Shares") (representing approximately 50.26% of the Original Share Capital) were issued by the Company under the Amended Specific Mandate Placing Agreement (as referred to in the Company's announcement dated 29 October 2015), the completion of which took place on 29 October 2015. According to the Company's announcement dated 29 October 2015, it was said that the Amended Specific Mandate Placing Shares had been placed to not less than six Amended Specific Mandate Placees (as referred to in the Company's announcement dated 29 October 2015).

On 18 December 2017, the Company together with two of its subsidiaries commenced legal proceedings in the High Court of Hong Kong in High Court Action No. 2922 of 2017 ("the Principal Action"). The Company's case in the Principal Action is that, out of the Amended Specific Mandate Placing Shares, 7,160,300,000 shares (representing approximately 47.93% of the Original Share Capital) were actually wrongfully allotted ("Wrongfully Allotted Shares") which had been issued to non-independent placees ("Alleged Independent Placees") who held the Wrongfully Allotted Shares subject to the control, influence and/or interest of one Cho Kwai Chee Roy, and that the share subscription of many of the Alleged Independent Placees were enabled and/or assisted by circular financing arrangement.

Between July and October 2017, in order to disguise the wrongful nature of the initial allotment and subscription, a large number of the Wrongfully Allotted Shares allotted to the Alleged Independent Placees were transferred by the Alleged Independent Placees directly or indirectly to Mr. Kwok Hiu Kwan ("Mr. Kwok"), Mr. Chen Peixiong ("Mr. Chen") and Madam Wang Pengying ("Madam Wang") respectively. During the relevant period, Mr. Kwok, Mr. Chen and Madam Wang acquired about respectively 29.91%, 7.47% and 2.3% of the Company's shareholding (or in total about 39.68% of the Company's shareholding) through a premeditated scheme and series of coordinated transactions avoiding the detection of the regulators.

Under the laws of Cayman Islands as per the expert evidence filed by the Company, improper allotment of shares by a company render those shares void ab initio. The Company is seeking in the Principal Action, among other things, (1) a declaration and order as against the Alleged Independent Placees that the allotment of the Wrongfully Allotted Shares is null and void, or has been rescinded and set aside; and (2) a declaration and order as against Mr. Kwok, Mr. Chen and Madam Wang that the transfer of the Wrongfully Allotted Shares to Mr. Kwok, Mr. Chen, and Madam Wang is null and void and/or invalid and/or rescinded. Please refer to the Company's announcement dated 3 January 2021.

In making a judgement on the accounting treatment for the Wrongfully Allotted Shares, the Company is conscious that financial information must faithfully represent the substance of the economic phenomena, rather than merely representing the legal form. Representing a legal form that differs from the economic substance of the underlying economic phenomenon could not result in a faithful representation.

The Company is also conscious that financial statements portray the financial effects of transactions and other events by grouping them into broad classes according to their economic characteristics. Elements of financial statements should be classified by their nature and function in the business of the entity in order to display information in the manner most useful to users for purposes of making economic decisions.

By nature, the Wrongfully Allotted Shares, being null and void and/or invalid and/or rescinded, are not shares (ordinary or otherwise) of the Company and therefore the share capital represented by the Wrongfully Allotted Shares ("Wrongful Share Capital") is not share capital.

The Wrongful Share Capital on one hand and the remainder of the Original Share Capital ("Non-Wrongful Share Capital") on the other hand do not share similar economic characteristics, with the former being null and void and/or invalid and/or rescinded and the latter being ordinary shares of the Company. The two should not be grouped into the same broad class because of their different economic characteristics.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Group performance

Loss before tax was approximately HK$616.5 million for the year, representing a significant improvement as compared with prior year loss of approximately HK$1,422.2 million.

Group revenue

Our Group revenue for the year ended 31 December 2018 was approximately HK$802.7 million (2017: HK$863.9 million), representing a slight decrease of approximately 7.1% as compared with that for the year ended 31 December 2017.

The decrease was resulted from: (i) lower income from IFA business as a result of decline in number of IFA after the December 2017 incident; (ii) lower income from money lending business as a result of scale down of loans portfolio with net redemptions from customers throughout 2018; (iii) lower income from asset management business with both the commission and trailer fee income dropped significantly due to deteriorating market sentiment and investment appetite throughout 2018; and (iv) lower income from securities dealing business due to lower business volume from brokerage business, together with the limitation set by the Securities and Futures Commission on margin financing, posed to further negative impact on the brokerage business.

One the other hand, there was a significant improvement in proprietary investment business with a strong rebound in fair value of various financial instruments in 2018. Total revenue dropped slightly against 2017.

The Group revenue by reportable segments is as follows:

Revenue by reportable segments:	**2018**	2017	**Increase/ (decrease)**	**Change**
	HK$'000	*HK$'000*	*HK$'000*	%
IFA segment	**691,821**	886,827	(195,006)	-22.0%
Money lending segment	**53,893**	79,230	(25,337)	-32.0%
Proprietary investment segment	**48,547**	(265,023)	313,570	-118.3%
Asset management segment	**5,233**	46,371	(41,138)	-88.7%
Corporate finance segment	**400**	5,999	(5,599)	-93.3%
Securities dealing segment	**2,845**	110,481	(107,636)	-97.4%
Total	**802,739**	863,885	(61,146)	-7.1%

Group operating and other expenses

Group operating and other expenses decreased by approximately 36.7% from approximately HK$2,327.6 million in prior year to approximately HK$1,473.1 million in current year. Total operating and other expenses decreased substantially in 2018 as a result of: (i) reduced impairment of financial assets and associates in 2018 and (ii) the overall cost saving in other group operating expenses.

Group financial position

Total consolidated assets of the Group decreased by approximately 3.7% from approximately HK$5,314.8 million as at 31 December 2017 to approximately HK$5,117.4 million as at 31 December 2018. Total consolidated current assets of the Group decreased by approximately 18.4% from approximately HK$3,626.4 million as at 31 December 2017 to approximately HK$2,958.6 million as at 31 December 2018.

PROSPECT AND OUTLOOK

The Group operates in one of the biggest opportunities in the financial services business in the world, with the objective to offer all-round trusted financial services to all people.

The Group devised a "Three Pillars" business model leveraging on the strengths and navigating around the weakness of the old business model. Under the new "Three Pillar" business model, the New Management Team further deployed a three-pronged turnaround strategy with "3Bs" — denoting Bigger, Better and Brand.

The Company's strategy of 2018 rested on:

- Bigger: Grow the IFA size;
- Better: Upgrade and institutionalize everything we do; and
- Brand: Rebrand the Company

Bigger

The Group suffered from a structural decline in its IFA workforce between 2015–2017, when ILAS regulations changed in 2015 followed by the enforcement operations in December 2017. In 2018, the Group focus on stabilizing the workforce and improving productivities of our Financial Advisors business by improving training and stronger product capabilities. The strategy paid off. Productivities improved by almost 20% in 2018 across the board.

Better

The Group completely revamped the capabilities of our products teams, technology department and operations management. Together, the infrastructures we are now building in Product Intelligence, Technology and Operations form the core of our competitive advantages. Our goal is to fulfil our purpose of being the trusted expert in financial solutions to customers.

Brand

The rebranding journey to reposition and rejuvenate the brand and better resonate with the public and customers. Two major media campaign were launched in 2018:

(i) April 2018 — The "IFA is Convoy" Campaign was launched together with the new corporate logo reinforcing the Group's key brand values and underlying principles of "Integrity, Professionalism and Passion". It spotlighted the Group's market leadership position in financial advisory despite the adversities.

(ii) November 2018 — The "FinTech is Convoy" Campaign unveiled the Group's strategic partnership with one of the leading UK financial services and challenger banks — Tandem, highlighting the Group's commitment in digitalization and constant drive to excel, with the aim to offer comprehensive high touch and high-tech services to enhance customer experience.

The rebranding journey has proven to be a success. In December 2018, research conducted by an independent market research company CSG showed that:

(i) Convoy was ranked 1st in financial institution brand for both "independent financial advisor" and "always put out innovative financial products" among HSBC, Hang Seng Bank, DBS, AIA, Manulife and FWD.

(ii) 32% brand awareness (which was on par with FWD, another significant player in Hong Kong), 57% rated Convoy as neutral to positive, and 22% perceived Convoy as "on the way up" which was better than FWD and on par with DBS.

In 2018, we have made significant progress yet much to be done ahead:

- Growing and Improving Our Financial Advisors Business
- Solidifying Three Infrastructures
- Building Multi-Channel Delivery
- Step Change in FinTech Offerings
- Buying Cash-Flow Businesses

BUSINESS REVIEW

IFA Business

The IFA business continued to be loss-making in the year of 2018 but loss was cut by half compared to the year earlier. In 2018, the Company has implemented a new consultant commission scheme and introduced new performance-linked incentive scheme to retain and motivate our IFA.

With the focus on stabilizing the workforce and improving productivities, there was almost 20% improvement in average productivity and sales active ratio in 2018 as compared to 2017.

The Company will continue to revamp the IFA business with the focus on profitability and growth.

Money lending business

The Company continues to develop our consumer finance business by expanding our capabilities to serve new clients and to develop fintech offerings for loan origination online. We shall leverage the Group's proprietary technology platform to expand our offerings from mortgage to other consumer loan products. Our mission is to make credit more affordable and to let qualified consumers to enjoy a better borrower experience. Going forward, we will focus on develop digital channels and tools to support all our customer's needs through one experience.

Asset management business

The asset management business remained in a good shape for the year ended 31 December 2018. Fund sales were strong in the first half of the year and slowed down gradually during the second half due to poor market sentiment.

Projects were initiated to upgrade our portfolio management services and enhance our product offerings in the last quarter of the year. We believe that our asset management platform will continue to create substantial value for our shareholders by means of generating stable and recurring income for the Group.

Securities dealing business

The SFC has penalized our securities business since July 2017 with stringent restrictions on its operations largely because of wrongdoings of the previous management team. The securities business posted an operating loss in 2018 as opposed to operating profit in the preceding year. Reduction of revenue was also driven by actions taken to ring-fence the securities business involved in the various wrongdoings under Dr. Cho Kwai Chee and the previous management team, to ensure there were no further impact on the operation and finance to the rest of the Group.

The new management team set the reshuffle to its system and controls related to the securities margin financing operation as a top priority, a condition for the uplift of SFC undertaking. As of 31 December 2018, the reshuffle is still underway.

Digital developments

The Group's in-house developed core system, CV-1, incorporating mutual fund aggregation and operation, was successfully launched in May 2018. With this system platform written using latest technology stack, it created a strong foundation for future digital transformation plan. With the introduction of Agile methodology across the organization, it created an urgency for the Group to react fast to the changing business needs. In October, two other systems — ClientZone and Loans Management System were introduced on the CV-1 system platform to improve user experience and offer mortgage loans respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon the shareholders' fund, placing of bonds and cash generated from its business operations to finance its operations and expansion. As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$1,402.2 million (2017: HK$2,021.6 million) and bond payables of approximately HK$525.5 million (2017: HK$595.5 million). The gross gearing ratio, calculated on the basis of the aggregate of the Group's bond payables divided by equity attributable to owners of the Company was approximately 16.0% (2017: 16.6%). As at 31 December 2018, the net current assets of the Group amounted to approximately HK$1,933.9 million (2017: HK$2,568.3 million) and the current ratio (current assets/current liabilities) was approximately 2.9 (2017: 3.4).

CAPITAL STRUCTURE

As at 31 December 2018 and 2017, the authorised share capital of the Company was HK$2,000 million divided into 20,000,000,000 shares of HK$0.1 each and the issued share capital of the Company was approximately HK$777.9 million divided into 7,778,596,000 shares of HK$0.1 each. Please refer to note 20 to the consolidated financial statement in this announcement for the detailed explanation of the share capital structure of the Company.

During the years ended 31 December 2018 and 2017, no movement in the Company's authorised and issued share capital was noted.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed 432 (2017: 503) supporting staff. The total remuneration of the employees (including the Directors' remuneration) was approximately HK$294.8 million for the year ended 31 December 2018 (2017: HK$297.1 million).

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

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

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

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2018, the financial investments held by the Group are as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Held-to-maturity investments	**–**	18,185
Available-for-sale investments	**–**	927,817
Financial assets at fair value through profit or loss	**–**	624,815
Equity investments at fair value through other comprehensive income	**157,979**	–
Investments at fair value through profit or loss	**1,483,193**	–
Financial liabilities at fair value through profit or loss	**–**	(167)
Total	**1,641,172**	1,570,650

Save as disclosed above, the Group did not hold any other significant financial investment as at 31 December 2018.

Information in relation to the top 3 significant financial investments as at 31 December 2018 are set out as follows:

Stock code	Name of investee company/fund	Nature of investment	Principal business or investment scope of the investee company/fund	Carrying value		Net investment/ (redemption) during the year	Change in fair value during the year
				2018	2017		
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not applicable	Nutmeg Saving and Investment Limited	Investment in shares	Provision of online discretionary investment management services and is regulated by the Financial Conduct Authority of the United Kingdom	**282,787**	254,004	–	28,783
1140	OP Financial Limited	Investment in listed shares	Provision of management services and trading in securities	**251,236**	203,885	30,000	17,351
Not applicable	Mulberry Health Inc.	Investment in shares	High growth technology and date driven health insurance company	**165,724**	165,036	–	688

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 21 December 2018, the Group disposed of its entire equity interest in Convoy Payments Limited to an independent third party for a consideration of stock exchange of 2,090,297 C1 shares of CurrencyFair Limited (worth of approximately HK$38.9 million), resulting in a gain on disposal of HK$37.9 million for the year.

On 2 May 2018, the Group disposed of its entire equity interest in Triton Investment Services Pty Limited to an independent third party for a cash consideration of AUD244,000 (equivalent to approximately HK$1.4 million), resulting in a gain on disposal of HK$0.5 million for the year.

Save as disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries for the year ended 31 December 2018.

FUTURE PLANS RELATING TO MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2018, the Group's capital commitments related to the capital investments in available-for-sale investments amounted to HK$Nil (2017: HK$50.4 million).

Save as disclosed above, the Group had not executed any agreement in respect of material investments or capital assets and did not have any other future plans relating to material investments or capital assets.

CONTINGENT LIABILITIES

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

Save as the above, the Group did not have any significant contingent liabilities as at 31 December 2018 and 2017.

PLEDGE OF ASSETS

As at 31 December 2018, assets pledged to banks to secure banking facilities (including bank borrowings and bank overdraft) granted to the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Bank deposit	**10,250**	10,169

EVENTS AFTER THE REPORTING YEAR

(i) In addition to the investment into Nutmeg Saving and Investment Limited ("Nutmeg") in 2016, on 2 January 2019, Convoy Technologies Limited (now known as TAG Technologies Limited ("Convoy Tech")), an indirect wholly-owned subsidiary of the Company, entered into a new investment agreement with Nutmeg, Goldman Sachs PSI Global Holdings, LLC and other independent parties pursuant to which Convoy Tech agrees to make a further investment (the "Further Investment") of up to 1,949,865 E1 preferred ordinary shares in Nutmeg for a consideration of up to £25,000,000.00. Details of the Further Investment is set out in the announcement of the Company dated 23 January 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2018 (2017: HK$Nil).

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

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

LITIGATION

Material litigation cases involving the company

Reference is made to the announcements of the Company made through the Stock Exchange of Hong Kong Limited ("Stock Exchange") dated 21 December 2017, 27 December 2017, 3 January 2018, 4 January 2018, 9 January 2018, 16 January 2018, 12 February 2018, 5 March 2018, 8 March 2018, 13 April 2018, 19 June 2018, 4 July 2018, 18 July 2018, 24 September 2018, 4 November, 2019, 20 December 2019, 3 February 2020, 5 June 2020, 19 June 2020, 31 July 2020, 27 August 2020, 30 September 2020, 19 October 2020, 30 October 2020, 17 November 2020, 24 November 2020 and 3 January 2021. Since late 2017, the Company has been involved in not less than 17 material litigations of which ten were initiated and filed by the Company to protect the Company's interests and not less than 7 material proceedings against the Company:

Material Litigations filed by the Company:

Action Number	Filing date	Status
(a) High Court Action No. 2922 of 2017	18 December 2017	Live
(b) High Court Action No. 3001 of 2017	22 December 2017	Live
(c) FSD 286 of 2017 (Grand Court of the Cayman Islands)	29 December 2017	Live
(g) High Court Action No. 399 of 2018	14 February 2018	Live
(h) BVIHC (COM) 0019 of 2018 (filed in the British Virgin Islands)	6 February 2018	On appeal to the Privy Council heard on 16 and 17 February 2021.
(i) High Court Miscellaneous Proceedings No. 1350 of 2018	29 August 2018	Live
(k) High Court Action No 2000 of 2018	24 August 2018	On appeal to the Court of Appeal.
(l) High Court Action No 1228 of 2019	9 July 2019	Live
(m) High Court Action No 2416 of 2019	30 December 2019	Live
(n) High Court Action No 1435 of 2020	25 August 2020	Live

Material Litigation against the Company:

Action Number	Filing date	Status
(d) High Court Miscellaneous Proceedings No. 2773 of 2017	29 December 2017	Stayed pending the resolutions of HCA 2922/2017
(e) Hong Kong Miscellaneous Proceedings No. 41 of 2018	11 January 2018	Dismissed with reasons handed down on 4 March 2020. The appeal was dismissed on 24 November 2020.
(f) High Court Action No. 187 of 2018	22 January 2018	Dismissed on 31 July 2018
(f) High Court Action No. 258 of 2018	30 January 2018	Dismissed on 31 July 2018
(i) High Court Action No. 702 of 2018	27 March 2018	Live. The Company filed a counterclaim on 23 August 2018.
(j) High Court Miscellaneous Proceedings No. 900 of 2018	15 June 2018	Interim Injunction dismissed on 26 June 2018
(o) High Court Miscellaneous Proceedings No. 1578 of 2020	20 October 2020	Interim Injunction dismissed on 13 November 2020

Details of the litigation cases are set out as follows:

(a) HCA 2922/2017

On 18 December 2017, the Company together with two of its subsidiaries (namely Convoy Collateral Limited ("CCL") and CSL Securities Limited (now known as OnePlatform Securities Limited) ("OPSL") commenced legal proceedings against 28 Defendants in High Court Action No. 2922 of 2017 ("HCA 2922/2017"), and these defendants include: (1) Dr. Cho Kwai Chee, a former Executive Director of the Company ("Cho"); (2) Mr. Wong Lee Man Quincy ("Wong"), a former Executive Director of the Company; (3) Mr. Mak Kwong Yiu Mark ("Mak"), a former Executive Director of the Company; (4) Mr. Tan Ye Kai Byron Tan, a former Executive Director of the Company; (5) Ms. Fong Sut Sam Rosetta, a former Executive Director of the Company; (6) Ms. Chan Lai Yee ("Chan"), a former Executive Director of the Company; (7) Mr. Kwok Hiu Kwan ("Kwok"), a purported registered shareholder (through himself or his nominee) of 4,468,182,000 ordinary shares of the Company; and (8) Mr. Chen Pei Xiong ("Chen"), a purported registered shareholder (through himself or his nominee) of 1,085,280,000 ordinary shares of the Company.

The Company's claims against the defendants arise from a placement of the Company's shares which took place on 29 October 2015 whereby a substantial number of shares (the "Wrongfully Allotted Shares") were allotted to certain placees holding out as independent placees (the "Alleged Independent Placees"). It is the Company's case that the Wrongfully Allotted Shares had then been wrongfully transferred to Kwok and Chen respectively. Among other things, the Company sought the following relief:

(i) an order as against the Alleged Independent Placees that the allotment of the Wrongfully Allotted Shares be set aside;

(ii) a declaration as against Kwok and Chen that the transfer of the Wrongfully Allotted Shares to Kwok and Chen is null and void and/or invalid and/or rescinded;

(iii) a declaration that Cho and others acted in breach of fiduciary, common law and/or statutory duties owed to the Company by procuring the allotment of the Wrongfully Allotted Shares to the Alleged Independent Placees; and

(iv) an injunction as against Kwok and Chen, that they be restrained from exercising the voting rights of, or transferring or otherwise dealing with their interest in, the Wrongfully Allotted Shares.[1]

[1] Announcements 21/12/2017& 09/01/2018

On 28 December 2017, the Company commenced legal proceedings in the Grand Court of the Cayman Islands (Cause No. FSD 282 of 2017) against the same 28 defendants of HCA 2922/2017 for, among other things, recognition by way of common law of any judgment made in HCA 2922/2017 in the Cayman Islands.

On 28 June 2018, Mr. Justice Harris granted leave for the Company to amend the Writ of Summons filed on 18 December 2017 to include 11 more defendants, after further findings and evidence relevant to the legal proceedings were unearthed.

On 24 August 2018, Mr. Choi Chee Ming ("Choi") applied to the High Court of Hong Kong to seek leave to be joined as a party to the legal proceedings. Choi was added as the 40th Defendant on 1 November 2018.[2]

On 6 May 2019, the Company filed a Summons to further amend the Amended Statement of Claim. The amendment is mainly on the inclusion of one Ms. Wang Pengying ("Wang") as the 41st Defendant being a purported registered shareholder of about 2.3% of the Company's shareholding who was (according to the Company's case) acting in concert with Kwok and Chen. On 12 July 2019, Mr. Justice Harris approved the addition of Wang as the 41st Defendant.[3]

(b) HCA 3001/2017

On 22 December 2017, the Company and two of its subsidiaries, namely Convoy Financial Services Limited ("CFS") and OPSL, have commenced legal proceedings in the High Court of Hong Kong in High Court Action No. 3001 of 2017 against four defendants, namely (1) Wong, (2) Mak, (3) Convoy Investment Services Limited (which is not a subsidiary of the Group) and (4) Gransing Securities Co., Limited, in respect of, among others, breach of fiduciary duty and passing off, which had caused losses and damages to the Company.[4]

(c) FSD 286 OF 2017

During the extraordinary general meeting of the Company held on 29 December 2017 (the "2017 December EGM"), resolution no. 14 as set out in the notice of 2017 December EGM dated 20 November 2017 was withdrawn from consideration at the 2017 December EGM subject to the decision of the Cayman Islands courts on the question of validity of resolution no. 14 under the Cayman Islands laws. In this regard, on 29 December 2017, the Company issued an originating summons in the Grand Court of the Cayman Islands (FSD 286 of 2017) to seek, among others, a declaration that the abovementioned resolution no. 14 is unlawful, invalid, and/or insufficiently specific to enable the shareholders of the Company to make informed decisions and/or should otherwise not be put to the members at the 2017 December EGM.[5]

On 28 May 2018, the Grand Courts of the Cayman Islands approved the application that Kwok be joined as a defendant in FSD 286 of 2017.[6]

---

[2] Announcement 24/09/2018
[3] Announcement 04/11/2019
[4] Announcements 27/12/2017 & 04/11/2019
[5] Announcement 03/01/2018
[6] Announcement 04/11/2019

(d) HCMP 2773/2017

On 29 December 2017, the Company received a petition ("Zhu Petition") issued on 29 December 2017 in High Court Miscellaneous Proceedings No. 2773 of 2017 ("HCMP 2773/2017") filed by an individual named Zhu Xiao Yan in the High Court of Hong Kong against 33 respondents, including Cho, Wong, Kwok, Chen, the Company and four of its subsidiaries, namely, CCL, OPSL, CFS and Convoy Wealth Management Limited. Zhu Xiao Yan sought in the Zhu Petition, among others, against the Company (i) a declaration that the placing of 3,989,987,999 Shares (the "Placing Shares") on 29 October 2015 to six of the respondents named in the Zhu Petition (the "Placees") and/or the Placing Shares are void ab initio and of no legal effect or, alternatively, be set aside; (ii) a declaration that the transfer of the Placing Shares from the Placees to Kwok and Chen and/or the Placing Shares are void ab initio and of no legal effect or, alternatively, be set aside; and (iii) a declaration that any votes on the Placing Shares, whether at the 2017 December EGM or otherwise, be disregarded for the purposes of counting votes for the passing of shareholders' resolutions of the Company.[7]

On 6 March 2018, Mr. Justice Harris sitting as a Judge in the High Court of Hong Kong ordered that HCMP 2773/2017 be stayed pending the resolutions of HCA 2922/2017.[8]

(e) HCMP 41/2018

On 11 January 2018, The Company received an originating summons dated 11 January 2018 in Hong Kong Miscellaneous Proceedings No. 41 of 2018 ("HCMP 41/2018") issued in the Court of First Instance of the High Court of Hong Kong by Kwok against the Company, the Company's Chairman of the 2017 December EGM ("the Chairman") and three of the executive directors of the Company ("the defendant directors") for, among others, (i) a declaration that the decision of the Chairman at the 2017 December EGM for not counting the voting rights in respect of 4,468,182,000 ordinary shares in the Company held by Kwok was unlawful, void and/or of no legal effect; (ii) the Company, the Chairman and the defendant directors be restrained from refusing to count the votes attaching to the Kwok's shares at any general meeting of the Company, or in any way to disregard, diminish or qualify the Kwok's rights as a shareholder of the Company; (iii) a declaration that the Kwok's shares be counted towards the ordinary resolutions 1-5 and 7 at the 2017 December EGM and that they were duly passed; (iv) a declaration that the decision at the 2017 December EGM to put ordinary resolutions 15 and 16 to vote was unlawful, void and/or of no legal effect; (v) a declaration that ordinary resolutions 9 and 11 ought to have been put to vote in the 2017 December EGM; (vi) a declaration that the withdrawal of ordinary resolutions 9 and 11 in the 2017 December EGM was wrongfully made, void and/or had no legal effect; (vii) a declaration that the withdrawal of ordinary resolution 14 in the 2017 December EGM was wrongfully made, void and/or had no legal effect; and (viii) an Order that the 2017 December EGM be re-convened in which ordinary resolutions 9, 11 and 14 be put to vote, duly counting Kwok's shares in the voting.[9]

---

7 Announcements 03/01/2018 & 04/01/2018

8 Announcement 8/3/2018

9 Announcement 16/01/2018

The first hearing of HCMP 41/2018 took place on 6 March 2018.[10] Upon the application taken out by the defendant directors to strike out the action as against each of them, Kwok withdrew HCMP 41/2018 against all the defendant directors.

The substantive hearing of HCMP 41/2018 was heard before the Honourable Mr. Justice Harris sitting as a High Court Judge in Hong Kong during 27 August 2018 to 29 August 2018. On 29 August 2018, Mr. Justice Harris ruled on a preliminary issue of law ("Preliminary Issue"), the written reasons for which were handed down on 13 September 2018. In respect of the Preliminary Issue, the learned Judge ruled that:

(i) The Chairman had the power under Article 74 of the Amended and Restated Articles of Association of the Company ("Article 74") to determine that the voting rights in respect of the 4,468,182,000 ordinary shares in the Company purportedly registered in the name of Kwok (or his nominee) should not be counted at the 2017 December EGM; and

(ii) The Chairman's decision at the 2017 December EGM exercised under Article 74 was final and conclusive. It can only be challenged in Court if Kwok can demonstrate either it was reached in bad faith or it is demonstrated that the Court should intervene on other common law grounds.

In view of the ruling of the Court, Mr. Justice Harris set down HCMP 41/2018 for trial commencing on 19 March 2019.[11]

On 12 September 2018, Kwok filed a summons to seek leave to appeal against Mr. Justice Harris' decision on the Preliminary Issue.

On 31 March 2019, Mr. Justice Harris dismissed Kwok's originating summons in its entirety with written reasons handed down on 4 March 2020.

Upon Kwok's appeal against the judgment of Mr. Justice Harris, the Court of Appeal dismissed Kwok's appeal on 24 November 2020. After the dismissal of the Kwok's appeal, Kwok has applied for leave to appeal to the Court of Final Appeal.

(f) HCA 187/2018 and HCA 258/2018

On 22 January 2018, Enhance Pacific Limited and Best Year Enterprises Limited commenced High Court Action No. 187 of 2018 ("HCA 187/2018") against two subsidiaries of the Company, namely CCL and OPSL, and their respective then directors.

On 30 January 2018, Mr. Sin Kwok Lam commenced legal proceedings against CCL in High Court Action No. 258 of 2018 ("HCA 258/2018").

On or about 31 July 2018, both of HCA 187/2018 and HCA 258/2018 were dismissed.[12]

---

10 Announcement 12/02/2018
11 Announcement 24/09/2018
12 Announcement 04/11/2019

(g) HCA 399/2018

On 14 February 2018, CCL issued a Writ of Summons in High Court Action No. 399 of 2018 ("HCA 399/2018") in the High Court of Hong Kong against 13 defendants, including, Cho and Chan. Pursuant to HCA 399/2018, CCL claims against the defendants for, among others, damages or equitable compensation for the loss and damage suffered arising from various transactions in which all or some of the defendants were involved respectively, in the approximate amount of HK$715 million according to the Writ of Summons filed in HCA 399/2018. According to the Writ of Summons filed in HCA 399/2018, such loss and damage have arisen from:

(i) the wrongful acquisition of shares in First Credit Finance Group Limited ("First Credit"), a company listed on GEM of the Stock Exchange (stock code: 8215), and manipulation of the share price of such company, causing the then loss and damage to CCL in approximately the amount of HK$259.9 million;

(ii) the manipulation of share price of China Green (Holdings) Limited ("China Green"), a company listed on the Main Board of the Stock Exchange (stock code: 904), and dishonesty and conspiracy in failing to convert convertible notes entered into between CCL and China Green at a profit, causing loss and damage to CCL up to the amount of approximately HK$298 million;

(iii) the wrongful acquisition of True Surplus International Investment Limited for the consideration of HK$89.4 million, which CCL is seeking rescission or alternatively damages or equitable compensation;

(iv) the grant of unsecured loan to Athena Power Limited on uncommercial, irrational and/or serious disadvantageous terms, causing loss and damage to CCL in approximately the amount of HK$34.6 million; and

(v) the misappropriation of funds transferred to Checkmate Finance Hong Kong Limited, causing loss and damage to CCL in approximately the amount of HK$33.2 million.[13]

On 26 June 2019, CCL filed a Mareva injunction against Cho and Broad Idea International Limited ("Broad Idea"), a company incorporated in the British Virgin Islands, registered or held in the name of Cho, in HCA 399/2018.

By a Court Order on 16 June 2020, the Court of Appeal granted a Worldwide Mareva Injunction against Cho up to and including the trial of HCA 399/2018 or further order of the Court that Cho must not:

(i) remove from Hong Kong any of his assets which are within Hong Kong, whether in his own name or not, and whether solely or jointly owned, up to the value of HK$769,581,153.66; or

[13] Announcements 05/03/2018 & 04/11/2019

(ii) in any way dispose of or deal with or diminish the value of any of his assets, whether within or outside Hong Kong, whether in his own name or not, and whether solely or jointly owned up to the value of HK$769,581,153.66. This prohibition includes (but is not limited to) in particular the shares in Broad Idea, or their net sale money.

(h) BVIHK 0019 of 2018 and its appeal

In tandem with the proceedings under HCA 399/2018, CCL obtained a freezing order (the "Freezing Order") made by Mr. Justice Chivers QC in the Eastern Caribbean Supreme Court in the High Court of Justice of the British Virgin Islands (the "BVI Court") on 7 February 2018 in BVIHK 0019 of 2018, until further order of the BVI Court, against Cho and Broad Idea, that:

(i) Broad Idea be restrained from, among others, (i) in any way disposing of, dealing with or diminishing the value of any shares in Town Health International Medical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3886), up to a value of US$75,583,490.03; (ii) registering or causing to be registered any change in the legal ownership of Cho's shares in Broad Idea ("Cho's Shares") in any way; (iii) in any way recognising or causing to be recognised in the register of shares of Broad Idea any such purported change in or transfer of all or any part of the legal ownership of Cho's Shares; (iv) in any way recognising or recording or causing to be recognised or recorded on the register of shares of Broad Idea any change or transfer of the ownership of all or part of the equitable interest in Cho's Shares; (v) removing, or allowing or instructing or causing to be removed, or instructing the removal of, the share certificates pertaining to Cho's Shares from the territory of the British Virgin Islands; and (vi) cancelling Cho's Shares and/or reissuing such shares or causing or instructing the same; and

(ii) Cho be restrained from, among others, (i) in any way disposing of, dealing with or diminishing the value of his assets within the British Virgin Islands up to a value of US$75,583,490.03; (ii) in any way disposing of, diminishing, or dealing with the value of Cho's Shares, whether they are in or outside the British Virgin Islands, whether in his or its name or not, and whether owned jointly, beneficially, legally, or otherwise; and (iii) effecting or allowing to be created or effected any changes, variations or amendments to any agreement, trust and/or any other similar arrangement in relation to which Cho's Shares are held.[14]

On 3 April 2019, Judge Adderley of the BVI Court discharged the Freezing Order as against Cho on jurisdictional ground without adjudicating the merits of CCL's case. CCL has filed a notice of appeal against Judge Adderley's decision. On 25 June 2019, the BVI Court of Appeal stayed the discharge of the Freezing Order pending the appeal. On 18 October 2019, the BVI Court of Appeal heard the appeal and subsequently dismissed the appeal on 30 March 2020.

[14] Announcements 05/03/2018 & 24/09/2018

On 31 July 2019, Judge Adderley of the BVI Court after an inter parte hearing granted the Freezing Injunction against Broad Idea in favor of CCL.[15]

On 29 May 2020, the BVI Court of Appeal allowed the appeal brought by Broad Idea against the decision of Judge Adderley of the BVI Court of 31 July 2019 in relation to the Freezing Injunction against Broad Idea. The BVI Court of Appeal allowed the appeal and set aside the Freezing Injunction against Broad Idea.

CCL has applied for leave to appeal to the Privy Council in relation to the BVI Court of Appeal decisions concerning the Freezing Injunctions against Broad Idea and Cho on 18 June 2020 and 29 June 2020.[16]

On 30 September 2020, the Judicial Committee of the Privy Council granted the application made by CCL to stay the order of the BVI Court of Appeal dated 29 May 2020 as against Broad Idea pending CCL's appeal to the Privy Council concerning the Freezing Injunction against Broad Idea. CCL's appeal against the BVI Court of Appeal decision concerning the Freezing Injunction against Broad Idea and the Freezing Injunction against Cho will take place in the Privy Council on 16 and 17 February 2021.[17]

(i) HCA 702/2018 and HCMP 1350/2018

On 27 March 2018, Convoy (Trademarks) Limited as plaintiff, which is not a subsidiary of the Company, ("CTL") commenced legal proceedings in the High Court of Hong Kong against the Company and seven of its subsidiaries as defendants. CTL claimed that the Company and other defendants have infringed of a number of registered trademarks (the "Marks") registered in the name of CTL.[18]

On 23 August 2018, the Company and its subsidiaries filed a Defence and Counterclaim. Among other grounds of defence, the Company's defence is that its subsidiary, CFS, was and still is at all times the beneficial owner of the Marks. The Company and CFS also counterclaimed against Wong and Mak for breach of their fiduciary duties by causing the Marks to be transferred to CTL, a company of which both of them are interested, at nominal value.

On 29 August 2018, CFS commenced legal proceedings in HCMP 1350/2018 against CTL, Wong and Mak to claim for the beneficial ownership of three further trademarks.[19]

[15] Announcement 04/11/2019
[16] Announcement 31/07/2020
[17] Announcement 30/10/2020
[18] Announcement 13/04/2018
[19] Announcement 04/11/2019

(j) HCMP 900/2018

On 15 June 2018, Kwok commenced legal proceedings by way of originating summons issued in the Court of First Instance of the High Court ("HCMP 900/2018") against the Company, CCL and all the directors of the Company (apart from those whose duties have been suspended), which Kwok sought an injunction against the Company and its directors and CCL from disposing CCL's shareholdings in First Credit.[20]

The interim hearing was heard on 22 and 26 June 2018 before Mr. Justice Harris. His Lordship dismissed the application of interim injunction application of Kwok against all the parties involved, with costs on an indemnity basis to be paid forthwith by Kwok to the Company, CCL and its directors.[21]

(k) HCA 2000/2018

On 24 August 2018, the Company and OPSL commenced legal proceedings in the High Court of Hong Kong in HCA 2000 of 2018 against Kwok and Chen in which the Company and OPSL sought the following relief from the Court:

(i) A Declaration that Kwok and/or Chen has/have contravened section 131 of the Securities and Futures Ordinance ("SFO"), in that Kwok and/or Chen (acting as associates or otherwise) has/have become and continued to be (purported) substantial shareholder(s) of OPSL, by acquiring and continuing to hold an approximately aggregate of 37.38% shareholding in the Company ("the 37% Stake") without the necessary approval to do so from the Securities and Futures Commission ("SFC") under section 132 of the SFO.

(ii) A Declaration that Kwok and/or Chen has/have contravened section 131 of the SFO, in that the Kwok and/or Chen has/have purported to exercise the voting rights conferred by the 37% Stake (or any part thereof) which is not exercisable by virtue of section 131(4) of the SFO.

(iii) An injunction order prohibiting Kwok and Chen from exercising the purported voting rights conferred by the 37% Stake, unless and until the SFC approves Kwok and/or Chen to become and continues to be (purported) substantial shareholder(s) of OPSL under section 132 of the SFO.

The relief sought by the Company and OPSL in HCA 2000 of 2018 is expressly made without prejudice to the relief of rescission of the 37% Stake sought by the Company and its subsidiaries in proceedings HCA 2922 of 2017.[22]

---

[20] Announcement 19/06/2018
[21] Announcement 04/07/2018
[22] Announcement 24/09/2018

On 8 July 2020, the strike out application by Kwok and Chen was heard in the High Court of Hong Kong by Mr. Justice Coleman. On 10 July 2020, Mr. Justice Coleman handed down the decision that HCA2000/2018 be struck out for the reasons that, among other things, it is the SFC which is the relevant person granted the policing powers under the relevant section of the SFO and that it is perfectly open to the Company to lay the same facts before the SFC, and to invite the SFC to exercise the powers given to the SFC under the SFO.[23] The Company and OPSL have subsequently filed an appeal against Mr. Justice Coleman's decision to the Court of Appeal.

(l) HCA 1228/2019

On 9 July 2019, CCL commenced legal proceedings against 8 defendants which include Cho and Hui Ka Wah Ronnie, a former executive director of the Company and Chan, for loss and damage arising from the loans extended to Blue Farm Limited in the sum of HK$19,000,000.[24]

(m) HCA 2416/2019

On 30 December 2019, the Company together with three of its wholly-owned subsidiaries filed a Writ of Summons in the High Court of Hong Kong in High Court Action No. 2416 of 2019 ("HCA 2416/2019") against Ernst & Young ("EY"), a professional accounting firm. According to the Writ of Summons, the plaintiffs claim EY for losses and damages as a result of, among other matters, breach of contract, breach of duty, negligence, misrepresentation and/or negligent misstatement by EY during the period from 1 January 2013 to 31 December 2013 in connection with or arising out of:

(i) auditing and/or certification of the Plaintiffs' audited and other financial statements; and

(ii) the giving of financial, tax, accounting, auditing, business and/or regulatory advice and services and other advice and services to the Plaintiffs.[25]

On 24 August 2020, the plaintiffs filed and served the Amended Writ of Summons and the Statement of Claim of HCA 2416/2019 with the High Court. According to the Statement of Claim, the plaintiffs claim against EY for losses and damages, inter alia, arising as a result of EY's negligence and breach of its contractual obligations in respect of EY's conduct of the audit of the financial statements of the Plaintiffs for the years ended 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016 and seek the following relief:

(i) damages and/or equitable compensation;

(ii) interest calculated on a compound or alternatively, a simple basis, pursuant to Section 48 of the High Court Ordinance (Chapter 4 of the Laws of Hong Kong) or the equitable jurisdiction of the Court, on all sums at such rate and for such period as the Court thinks fit;

---

23 Announcement 31/07/2020

24 Announcement 04/11/2019

25 Announcement 3/2/2020

(iii) costs; and

(iv) further or alternatively such further or other relief as the Court thinks fit.[26]

(n) HCA 1435 of 2020

Convoy International Holdings Limited ("CIHL"), an indirectly wholly owned subsidiary of the Company, is a shareholder of OJBC Co. Ltd. ("OJBC"). OJBC wholly owns Nippon Wealth Limited ("NWB"), a company incorporated in Hong Kong which is licensed as a Restricted Licence Bank by the Hong Kong Monetary Authority and licensed to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities by the SFC. It is understood that CIHL's shareholding in OJBC was acquired in or about 2014.

On 25 August 2020, CIHL as plaintiff commenced legal proceedings in the High Court of Hong Kong in High Court Action No.1435 of 2020 suing on behalf of itself and all other shareholders in OJBC (except Shinsei Bank, Limited ("Shinsei Bank"), another shareholder of OJBC) and NWB against 7 directors of NWB ("NWB 7 Directors") and Shinsei Bank as defendants, by the filing of a Writ of Summons indorsed with a Statement of Claim.

According to the Statement of Claim, CIHL seeks:

(i) a declaration against the NWB 7 Directors that the NWB 7 Directors have acted in breach of their duties in recommending and facilitating the sale of the consumer finance business of NWB (the "Consumer Finance Business") to a nominee corporate vehicle of Shinsei Bank ("Shinsei Bank Nominee");

(ii) a declaration against the NWB 7 Directors that the sale of the Consumer Finance Business to the Shinsei Bank Nominee was at an gross undervalue and hence, null and void, or has been rescinded or set aside;

(iii) a declaration that the Shinsei Bank Nominee holds the Consumer Finance Business on trust on behalf of NWB for the benefit of NWB;

(iv) an order that the Shinsei Bank Nominee do forthwith return or deliver to NWB the Consumer Finance Business or its fair market value thereof;

(v) an order that the Shinsei Bank Nominee do give a full account for all profits, dividends, income, benefits and/or proceeds derived from the Consumer Finance Business;

(vi) equitable compensation from the NWB 7 Directors, Shinsei Bank and Shinsei Bank Nominee for loss caused by reason of the breach of fiduciary duties by the NWB 7 Directors or dishonest assistance of such breach by Shinsei Bank and Shinsei Bank Nominee;

---

26 Announcement 27/8/2020 and 30/10/2020

(vii) account of profits from NWB 7 Directors and Shinsei Bank and the Shinsei Bank Nominee arising from the breach of fiduciary duties by the NWB 7 Directors or dishonest assistance of such breach by Shinsei Bank and Shinsei Bank Nominee;

(viii) Damages, interests, and costs.[27]

(o) HCMP 1578 of 2020

On 28 September 2020, the Company received an originating summons issued by Kwok against the Company in the High Court of Hong Kong under action number HCMP 1578/2020.

On 19 October 2020, the Company made an application to the High Court of Hong Kong to strike out and dismiss the originating summons in HCMP 1578/2020.

On 20 October 2020, Kwok filed an application for an interim injunction against the Company in HCMP 1578/2020.

In a summary, Kwok sought in the interim injunction application, among other matters, an injunction against the Company (whether by itself, its directors, chairman and other officers, agents or otherwise) from interfering with, obstructing, abating, disregarding or howsoever prejudicing the exercise of the (purported) rights over the (purported) shares of Kwok and his agent(s) in the capital of the Company in the Company's extraordinary general meeting scheduled to be held on 26 November 2020, in the absence of an appropriate declaration against Kwok made by a competent court or any court order restraining Kwok and his agent(s) from exercising their respective (purported) rights as (purported) shareholders of the Company.

The injunction application was heard on 12 November before Mr. Justice Coleman. On 13 November 2020, Mr. Justice Coleman handed down his judgment dismissing Kwok's interim injunction application. On 3 December 2020, Mr. Justice Coleman ordered Kwok to pay 50% of the Company's costs on an indemnity basis.

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2018, the Company has adopted and complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules and except for certain deviations as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

---

27 Announcement 27/8/2020

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

CG Code provisions	**Description of deviations**
A.1.1 and A.1.3	The Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals, with proper prior notice being given to all Directors. The Company has failed to comply with such requirements for most of the Board meetings convened during the year ended 31 December 2018. Regarding the notice requirement, the Company was involving in various litigations, less than 14 days' notice of a regular Board meeting was given to ensure all Directors are properly briefed in a timely manner for any update.
A.2.1	The Company does not have an official position of chief executive officer and the day-to-day management of the Group's business has been handled by the executive Directors collectively and led by the president of the Company. The Board believes that the arrangement is adequate to ensure an effective management and control of the Group's business operations. The situation is under constant review and the Board will assess whether any changes to the current practice, including re-designation of the president as chief executive officer, are needed.
A.6.5	The Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2018, the Directors, (save that the Company did not receive the training records from Mr. Tan Ye Kai Byron, Ms. Ip Yee Kwan, Dr. Cho Kwai Chee, Mr. Ma Yiu Ho Peter, Mr. Wang John Hong-chiun and Dr. Huan Guocang who are ex-Directors and Mr. Wong Lee Man, Ms. Chan Lai Yee and Ms. Fong Sut Sam, whose duties had been suspended since 8 December 2017, and they subsequently resigned or removed as a Director) have participated in continuous professional development.

CG Code provisions	Description of deviations
C.1.2	The Company's management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their relevant duties. The management of the Company has failed to provide any management updates on a monthly basis during the year ended 31 December 2018.
E.1.1 to E.1.3	The Company did not hold the annual general meeting in year 2018. As no annual general meeting was held in year 2018, the Directors are unable to comment as to whether the Company has complied with the said code provisions contained in Appendix 14 of the Listing Rules.
E.1.4	As at 31 December 2018, no formal shareholders' communication policy has been put in place. Moving forward, the Board intends to adopt such policy to reflect the current practices as soon as possible.
E.1.5	As at 31 December 2018, no policy on payment of dividends has been put in place. The Board is committed to ensure compliance of these code provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Directors (save that the Company did not receive the confirmations from Dr. Cho Kwai Chee, Mr. Tan Ye Kai Byron, Ms. Ip Yee Kwan, Mr. Ma Yiu Ho Peter and Mr. Wang John Hong-chiun, who are ex-Directors and Mr. Wong Lee Man, Ms. Chan Lai Yee and Ms. Fong Sut Sam, whose duties had been suspended since 8 December 2017, and Ms. Fong Sut Sam subsequently resigned as a Director on 16 November 2020 and Mr. Wong Lee Man and Ms. Chan Lai Yee were removed as a Director at the adjourned extraordinary general meeting of the Company on 7 January 2021) confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2018.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with the Listing Rules. As at the date of this announcement, the Audit Committee which comprises three independent non-executive Directors, namely Mr. Pak Wai Keung, Martin (the chairman of the Audit Committee), Mr. Yan Tat Wah and Mrs. Fu Kwong Wing Ting, Francine. The Audit Committee has reviewed a near final draft of the consolidated results of the Group for the year ended 31 December 2018 and has submitted its comments and recommendations to the board. Having received the comments and recommendations of the Audit Committee, management has revised certain disclosures in the financial results and the final version was submitted to the Board for approval. The Audit Committee has met the external auditors of the Company, ZHONGHUI ANDA CPA Limited.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2018, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's independent auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor will issue a qualified report in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2018. The details of which are extracted as follows:

"Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Qualified Opinion

(i) Loans receivable

Included in loans receivable on the consolidated statement of financial position as at 31 December 2018 and 2017 were loans receivable of approximately HK$345,354,000 and HK$528,017,000 respectively which were granted to certain borrowers. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions and the relationship between the Group and these borrowers.

Included in revenue on the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2018 and 2017 amounted to HK$44,336,000 and HK$71,483,000 respectively, representing interest income from loan financing and margin financing, in relation to the abovementioned loans receivable. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the nature of the relevant transactions between the Group and these borrowers.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of loans receivable of approximately HK$103,508,000 and HK$16,460,000 respectively as at 31 December 2018 and 2017. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements for the years ended 31 December 2018 and 2017.

(ii) Financial assets at fair value through profit or loss

Included in financial assets at fair value through profit or loss on the consolidated statement of financial position as at 31 December 2017 were investment in a convertible note receivable (the "Note") of approximately HK$Nil. Such Note arose from a restructuring (the "Loan Restructuring") of an unsecured loan (the "Unsecured Loan") during the year ended 31 December 2016. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the grant of the Unsecured Loan and the subsequent Loan Restructuring during the year ended 31 December 2016.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the financial assets at fair value through profit or loss of approximately HK$87,048,000 as at 31 December 2017 and whether the fair value loss of approximately HK$233,060,000 for the year ended 31 December 2017 were appropriately recorded.

(iii) Investments at fair value through profit or loss

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

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

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

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

(iv) Acquisition of a subsidiary in 2016

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

(v) Available-for-sale investments

Included in available-for-sale investments on the consolidated statement of financial position as at 31 December 2017 were investment in unlisted fund investments of approximately HK$79,824,000. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions.

Included in available-for-sale investments on the consolidated statement of financial position as at 31 December 2017 were investment in unlisted fund investments of approximately HK$79,824,000. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of investment in unlisted fund investments of approximately HK$79,824,000 as at 31 December 2017, and whether the change in fair value of available-for-sale investments of approximately HK$73,259,000 for the year ended 31 December 2017 were appropriately recorded.

(vi) Investment in an associate

Included in investments in associates on the consolidated statement of financial position as at 31 December 2018 and 2017 were investment in an associate of approximately HK$72,376,000 and HK$80,108,000 respectively. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions and the relationship between the Group and the vendor.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the abovementioned investment of approximately HK$72,376,000 and HK$80,108,000 respectively as at 31 December 2018 and 2017, and as to the share of losses of associates of approximately HK$7,732,000 and HK$110,160,000 respectively in relation to the abovementioned investment for the years ended 31 December 2018 and 2017.

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

(vii) Compensation payable

Included in other payables and accruals on the consolidated statement of financial position as at 31 December 2018 and 2017 was a compensation in relation to an investment of HK$Nil and HK$20,000,000 respectively. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions and the relationship between the Group and the payee.

(viii) 2015 placing shares reserve

Included in reserves on the consolidated statement of financial position as at 31 December 2018 and 2017 was a reserve in relation to one placement of the Company's shares which took place on 29 October 2015 (the ''Placement") of approximately HK$2,415,623,000. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the outcome of the litigation as stipulated in note 56(a) to the notes to consolidated financial statements, as well as the accounting treatment on the Placement.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy on the calculation of loss per share attributable to owners of the company for the years ended 31 December 2018 and 2017.

(ix) Fund transfer transactions between subsidiaries and a trustee of a subsidiary (the "Trustee")

Included in prepayments, deposits and other receivables on the consolidated statement of financial position as at 31 December 2018 and 2017 was other receivable of the Trustee of approximately HK$Nil and HK$Nil respectively, against which an impairment loss of approximately HK$Nil and HK$262,084,000 respectively had been made for the years ended 31 December 2018 and 2017. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the other receivable of the Trustee of approximately HK$Nil and HK$Nil respectively as at 31 December 2018 and 2017, and whether the impairment loss related to the other receivable of the Trustee of approximately HK$Nil and HK$262,084,000 respectively had been made for the years ended 31 December 2018 and 2017 were appropriately recorded.

Included in other payables and accruals on the consolidated statement of financial position as at 31 December 2018 and 2017 was other payable of the Trustee of approximately HK$239,498,000 and HK$239,498,000 respectively. We were unable to obtain sufficient appropriate audit evidence to assess the accuracy and completeness of the above liability. There are no other satisfactory alternative procedures that we could perform to satisfy ourselves that this balance as at 31 December 2018 and 2017 was free from material misstatement and the related disclosures have been properly recorded and reflected in the consolidated financial statements of the Company.

Included in exchange differences on translating foreign operations on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 was an exchange gain of approximately HK$39,031,000. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the exchange gain of approximately HK$39,031,000 were properly accounted for accounted for in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

Any adjustments to the figures as described above might have a consequential effect on the Group's result and cashflows for the years ended 31 December 2018 and 2017, and the financial positions of the Group as at 31 December 2018 and 2017, and the related disclosures thereof in the consolidated financial statements.

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

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.convoy.com.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2018 will be dispatched to shareholders of the Company and available on the above websites in due course

UPDATE ON RESUMPTION OF TRADING

Reference is made to the announcements of the Company dated 5 June 2020, 31 July 2020, 30 October 2020 and 1 November 2020, the Company has applied for a review of the delisting decision in accordance with its rights under Chapter 2B of the Listing Rules. As at the date of this announcement, the date of the review hearing has not yet been fixed.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted from 11:04 a.m. on 7 December 2017 (automatically converted to "being suspended" thereafter), and will remain suspended until further notice. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

Shareholders and potential investors should note that the resumption of trading in the shares on the Stock Exchange is subject to various conditions which may or may not be fulfilled. There is no guarantee that resumption of trading in the shares will take place. Shareholders and potential investors of the Company are reminded to exercise caution when dealing with the shares.

By Order of the Board
CONVOY GLOBAL HOLDINGS LIMITED
Johnny Chen
Chairman and Non-executive Director

Hong Kong, 17 February, 2021

As at the date of this announcement, the executive Directors are Mr. Ng Wing Fai, Mr. Yap E Hock, Mr. Shin Kin Man, Mr. Lee Jin Yi, Ms. Wong Suet Fai and Mr. Chung Kwok Wai, Kelvin; the non-executive Directors are Mr. Johnny Chen (Chairman) and Mr. Chen Shihpin; and the independent non-executive Directors are Mr. Pun Tit Shan, Mrs. Fu Kwong Wing Ting, Francine, Mr. Pak Wai Keung, Martin, Mr. Yan Tat Wah, Mr. Lam Kwok Cheong and Ms. Carrie Bernadette Ho.