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 2019

FINANCIAL HIGHLIGHTS

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

The board (the "Board") of directors (the "Directors") of Convoy Global Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is pleased to present the consolidated results of the Group for the year ended 31 December 2019, 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 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	*6*	**957,708**	802,739
Other income and gains, net	*6*	**21,257**	53,886
Commission and advisory expenses		**(757,933)**	(561,821)
Staff costs		**(254,388)**	(294,775)
Depreciation charge of property, plant and equipment		**(3,834)**	(27,663)
Depreciation charge of right-of-use assets		**(59,383)**	–
Loss attributable to non-controlling investors of investment funds		**1,178**	1,609
Other expenses		**(268,223)**	(504,698)
Finance costs	*7*	**(44,159)**	(46,107)
Impairment of financial assets		**(125,307)**	(26,734)
Share of losses of associates		**(4,745)**	(11,064)
Share of loss of a joint venture		**–**	(1,857)
LOSS BEFORE TAX		**(537,829)**	(616,485)
Income tax expenses	*8*	**(2,524)**	(5,164)
LOSS FOR THE YEAR	*9*	**(540,353)**	(621,649)
Other comprehensive income after tax:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		**12,929**	–
Change in fair value of equity investments at fair value through other comprehensive income		**11,798**	8,014
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**96**	–
Exchange differences on translating foreign operations		**304**	(1,306)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**25,127**	6,708
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(515,226)**	(614,941)

	Notes	**2019** *HK$'000*	2018 *HK$'000*
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(540,434)**	(617,802)
Non-controlling interests		**81**	(3,847)
		(540,353)	(621,649)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(514,578)**	(611,094)
Non-controlling interests		**(648)**	(3,847)
		(515,226)	(614,941)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*11*		
Basic (HK cents)		**(6.95)**	(7.94)
Diluted (HK cents)		**(6.95)**	(7.94)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**13,059**	25,655
Right-of-use assets		**38,375**	–
Investment properties		**88,100**	65,500
Intangible assets		**–**	–
Investments in associates	*12*	**78,034**	73,832
Investment in a joint venture		**–**	–
Deferred tax assets		**221**	220
Equity investments at fair value through other comprehensive income	*13*	**169,777**	157,979
Investments at fair value through profit or loss	*14*	**1,191,250**	1,035,461
Loans receivable	*15*	**353,600**	312,000
Prepayments, deposits and other receivables		**31,056**	24,226
Contract assets		**546,444**	448,125
Restricted cash		**6,009**	15,754
		2,515,925	2,158,752
Current assets			
Investments at fair value through profit or loss	*14*	**368,064**	447,732
Accounts receivable	*16*	**58,550**	58,784
Contract assets		**232,186**	211,136
Loans receivable	*15*	**182,826**	333,820
Prepayments, deposits and other receivables		**246,243**	131,591
Due from an associate		**12,504**	11,330
Due from a director		**723**	723
Tax recoverable		**40,306**	41,351
Cash held on behalf of clients		**248,673**	309,648
Pledged bank deposit		**10,325**	10,250
Cash and cash equivalents		**716,723**	1,402,246
		2,117,123	2,958,611

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Current liabilities			
Accounts payable	*17*	**573,098**	571,306
Other payables and accruals		**448,175**	435,163
Due to related parties		**1,082**	353
Net assets attributable to redeemable participation rights		**4,214**	5,392
Interest-bearing bank and other borrowings		**1,070**	–
Lease liabilities		**32,907**	–
Tax payable		**10,450**	12,470
		1,070,996	1,024,684
Net current assets		**1,046,127**	1,933,927
Total assets less current liabilities		**3,562,052**	4,092,679
Non-current liabilities			
Accounts payable	*17*	**281,656**	249,833
Other payables and accruals		**30,595**	64,922
Issued bonds	*18*	**492,639**	525,487
Lease liabilities		**6,059**	–
Deferred tax liabilities		**1,384**	1,392
		812,333	841,634
NET ASSETS		**2,749,719**	3,251,045
Equity attributable to owners of the Company			
Share capital	*19*	**777,860**	777,860
Reserves		**1,996,103**	2,510,669
		2,773,963	3,288,529
Non-controlling interests		**(24,244)**	(37,484)
TOTAL EQUITY		**2,749,719**	3,251,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 investments at fair value through profit or loss which are carried at their fair values.

3. GOING CONCERN BASIS

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

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

In addition, although management is uncertain on the outcome of the litigation as stipulated in the "Litigation" section of this announcement, management is of the view that given the complexity, progress, as well as the uncertainty of the outcome of the litigation, management does not expect a material cash outflow in relation to the litigation in the coming 18 months from the date of this announcement.

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

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

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

HKFRS 16 "leases"

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

(a) Adjustments recognised on adoption of HKFRS 16

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

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

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

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

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

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

Practical expedients applied

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

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

— reliance on previous assessments on whether leases are onerous;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

— the amount of the initial measurement of lease liability;

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

— any initial direct costs; and

— restoration costs.

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

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

5. 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 2019

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

Year ended 31 December 2018

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

Segment Assets and Liabilities

As at 31 December

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

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

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

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

Geographical Information

(a) *Revenue from external customers*

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

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

(b) *Non-current assets*

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

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

6. REVENUE, OTHER INCOME AND GAINS, NET

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

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

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

Disaggregation of revenue from contracts with customers:

Segments	**IFA segment**	**Asset management segment**	**Corporate finance segment**	**Securities dealing segment**	**2019 Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Geographical markets					
Hong Kong	**947,891**	**22,668**	**–**	**1,266**	**971,825**
Macau	**5,433**	**–**	**–**	**–**	**5,433**
China	**1,427**	**–**	**–**	**–**	**1,427**
Total	**954,751**	**22,668**	**–**	**1,266**	**978,685**
Major products/service					
IFA commission income	**907,001**	**–**	**–**	**–**	**907,001**
Service income	**47,750**	**22,668**	**–**	**–**	**70,418**
Commission income	**–**	**–**	**–**	**1,266**	**1,266**
	954,751	**22,668**	**–**	**1,266**	**978,685**
Timing of revenue recognition					
At a point in time	**954,751**	**22,668**	**–**	**1,266**	**978,685**
Over time	**–**	**–**	**–**	**–**	**–**
Total	**954,751**	**22,668**	**–**	**1,266**	**978,685**

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

IFA commission income

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

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

Corporate finance fee income

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

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.

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on:		
Issued bonds	**40,653**	45,983
Bank borrowings	**44**	–
Other borrowings	**44**	124
Lease liabilities	**3,418**	–
	44,159	46,107

8. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,967**	3,859
Under-provision in prior years	**328**	587
Current tax — Overseas		
Provision for the year	**238**	719
Deferred tax	**(9)**	(1)
	2,524	5,164

9. LOSS FOR THE YEAR

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

	2019	2018
	HK$'000	*HK$'000*
Depreciation charge of property, plant and equipment	**3,834**	27,663
Auditor's remuneration		
— Audit services	**4,000**	3,500
Loss on disposal of property, plant and equipment	**2**	978
Loss on disposal of an associate	**–**	5,353
Loss/(gain) on disposals of subsidiaries	**8,469**	(38,413)
Fair value loss on investment properties	**3,852**	100
Operating lease charges		
— Land and buildings	**–**	68,472
Legal and professional fee	**116,913**	240,517
Marketing expenses	**26,731**	69,357
Office and administrative expenses	**38,731**	44,850
Consultant training and welfare	**24,634**	24,106
Impairment of property, plant and equipment	**308**	11,963
Impairment of financial assets		
Impairment of loans receivable	**87,048**	3,545
Impairment of accounts receivable	**–**	1,048
Impairment of prepayments, deposits and other receivables	**38,259**	21,196
Impairment of amount due from a joint venture	**–**	945
	125,307	26,734
Staff costs including directors' emoluments		
— Salaries, allowances, bonuses and benefits in kind	**240,511**	282,642
— Pension scheme contributions	**13,877**	12,133
	254,388	294,775

10. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 7,778,596,000 (2018: 7,778,596,000) in issue during the year.

No adjustment had been made to the basic loss per share amount presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the warrants and share options of the Company outstanding had an anti-dilutive effect on the basic loss per share amount presented.

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

	2019	2018
	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	**(540,434)**	(617,802)

	Number of shares	
	2019	2018
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**7,778,596,000**	7,778,596,000

12. INVESTMENTS IN ASSOCIATES

	2019	2018
	HK$'000	*HK$'000*
Unlisted investments:		
Share of net assets	**78,034**	73,832

Particulars of the Group's associates are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**		**Principal activities**
			2019	2018	
JFA Capital[(i)]	Participating shares	Cayman Islands	**63.0%**	60.2%	Investment fund
Fubon Convoy Asset Management (HK) Limited ("FCAM")[(ii)]	Ordinary shares	Hong Kong	**51.0%**	51.0%	Inactive

Notes:

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

As at 3 May 2018, the Group has been appointed as the fund manager. In the opinion of the directors, the Group, however, does not obtain control but has significant influence over JFA Capital and classifies JFA Capital as an associate of the Group for the years ended 31 December 2019 and 2018.

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

There was no commitment and contingent liability in respect of associates as at 31 December 2019 and 2018.

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$'000	*HK$'000*
Unlisted equity securities		
— unlisted equity investments	**169,777**	157,979

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

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Equity securities, at fair value			
— listed equity investments		**347,096**	526,975
— club debentures		**16,000**	16,500
		363,096	543,475
Unlisted equity securities			
— unlisted equity investments		**808,434**	552,605
— unlisted fund investments	*(i)*	**371,009**	365,603
		1,179,443	918,208
Convertible note receivables	*(ii)*	**16,775**	21,510
		16,775	21,510
Total		**1,559,314**	1,483,193
Analysed as:			
Current assets		**368,064**	447,732
Non-current assets		**1,191,250**	1,035,461
		1,559,314	1,483,193

Notes:

(i) The unlisted funds investments of HK$371,009,000 (2018: HK$365,603,000) represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$371,009,000 (2018: HK$365,603,000) which represents the fair value as at 31 December 2019. During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

(ii) Included in the balance is a convertible note issued by China Green (Holdings) Limited ("China Green"), of which its shares are listed on the Stock Exchange, amounted of HK$Nil (2018: HK$Nil) in 2019. On 18 November 2015, the Group advanced a loan of HK$190,000,000 to China Green with original maturity on 18 May 2016, bearing interest of 13.9% ("China Green Loan") and was classified as loans receivable as at 31 December 2015. During the year ended 31 December 2016, China Green issued a convertible loan note of HK$190,000,000 with coupon rate of 12% per annum and matured on 22 August 2017 ("China Green Convertible Note") to the Group. Upon maturity, the Group may subscribe a maximum of 1,418,666,666 shares at HK$0.15 per share, representing 16.97% of enlarged capital of China Green based on the existing capital structure as at 31 December 2016. Accordingly, the Group derecognised the China Green Loan with a carrying value of HK$190,000,000 from loans receivable and recognised the China Green Convertible Note with a fair value of HK$305,270,000 as financial assets designated as at fair value through profit and loss on the issue date of the China Green Convertible Note on 22 August 2016, resulting a gain of HK$115,270,000 which has recognised in the profit or loss for the year ended 31 December 2016.

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

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

15. LOANS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Loans receivable from:		
Money lending business	**704,992**	724,376
Securities dealing business — margin financing	**654**	5,496
	705,646	729,872
Less: impairment losses	**(169,220)**	(84,052)
	536,426	645,820
Analysed as:		
Current assets	**182,826**	333,820
Non-current assets	**353,600**	312,000
	536,426	645,820

Loans receivable arising from the money lending business of the Group bear interest at rates ranging from 0% to 20% per annum (2018: 0% to 20% per annum). The grants of these loans were approved and monitored by the management of the relevant subsidiaries of the Group. As at 31 December 2019, certain loans receivable with an aggregate carrying amount of HK$293,429,000 (2018: HK$142,178,000) were secured by the pledge of collaterals.

Loans receivable arising from the margin financing business in the securities dealing segment are secured by the pledge of customers' securities as collateral. As at 31 December 2019, the total value of securities pledged as collateral in respect of the margin receivables was approximately HK$1,653,000 (2018: HK$38,648,000) based on the market value of the securities at the end of the reporting period.

As at 31 December 2019, loans receivable of approximately HK$2,610,000 (2018: HK$3,070,000) are due from a director, Mr. Shin Kin Man. The loans receivable are unsecured, interest bearing and have fixed repayment terms.

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

	Current	Past due within 1 month	1 to 2 months past due	2 to 3 months past due	Over 3 months past due	Total
At 31 December 2019						
Weighted average expected loss rate	**14.88%**	**0.00%**	**0.00%**	**0.00%**	**97.52%**	
Receivable amount (*HK$'000*)	**626,880**	**420**	**–**	**473**	**77,873**	**705,646**
Loss allowance (*HK$'000*)	**(93,277)**	**–**	**–**	**–**	**(75,943)**	**(169,220)**
At 31 December 2018						
Weighted average expected loss rate	1.48%	0.00%	0.00%	0.00%	100.00%	
Receivable amount (*HK$'000*)	653,124	2,348	–	–	74,400	729,872
Loss allowance (*HK$'000*)	(9,652)	–	–	–	(74,400)	(84,052)

16. ACCOUNTS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Accounts receivable from:		
Product issuers	**46,572**	50,779
Customers	**10,278**	6,377
Cash clients	**2,229**	198
Brokers and dealers	**561**	2,520
	59,640	59,874
Less: Provision for impairment	**(1,090)**	(1,090)
	58,550	58,784

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

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

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**57,641**	54,033
1 to 2 months	**231**	721
2 to 3 months	**35**	1,329
Over 3 months	**643**	2,701
	58,550	58,784

17. ACCOUNTS PAYABLE

	2019	2018
	HK$'000	*HK$'000*
Accounts payable to:		
Consultants	**113,871**	54,579
Consultants in related to contract assets	**489,722**	449,673
Cash held on behalf of clients from securities dealing business	**33,519**	23,347
Cash held on behalf of clients from asset management business	**216,823**	292,219
Cash held on behalf of clients from insurance brokerage business	**819**	1,321
	854,754	821,139
Analysed as:		
Current liabilities	**573,098**	571,306
Non-current liabilities	**281,656**	249,833
	854,754	821,139

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Cash held on behalf of clients		
Repayable on demand	**251,161**	316,887
Accounts payable:		
Within 1 month/repayable on demand	**104,386**	28,939
1 to 2 months	**558**	1,032
2 to 3 months	**1,026**	634
3 to 6 months	**7,564**	14,370
6 to 12 months	**337**	112
1 to 2 years	**–**	9,492
	365,032	371,466

Accounts payable are non-interest-bearing.

Included in the accounts payable were commission payables totaling HK$659,000 (2018: HK$352,000) to the spouse, a brother and a cousin of a director of the Company (the director was appointed on 15 January 2018 and prior to the appointment, the director is also a director of the Group's major operating subsidiary) who are consultants of the Group, which are payable on terms similar to those offered to other consultants of the Group.

18. ISSUED BONDS

	2019	2018
	HK$'000	*HK$'000*
Unsecured unlisted bonds, at nominal value		
Repayable after one year but within five years	**523,500**	565,500
Discount and issue costs	**(30,861)**	(40,013)
	492,639	525,487
Analysed as:		
Non-current liabilities	**492,639**	525,487

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

Straight bond	Placing period	Maturity from issue date	Coupon rate	Effective interest rate	Principal outstanding 2019 HK$'000	2018 HK$'000
A	8 July 2014–7 July 2015	7th anniversary	6%	7.53%	**40,000**	40,000
B	16 September 2014–15 September 2015	7th anniversary	6%	7.53%	**280,000**	290,000
E	21 January 2015–20 January 2016	7th anniversary	6%	7.53%	**203,500**	235,500
					523,500	565,500

All bonds are unsecured and contain no conversion feature.

19. SHARE CAPITAL

Shares

	2019 *HK$'000*	2018 *HK$'000*
Authorised:		
20,000,000,000 (2018: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
7,778,596,000 (2018: 7,778,596,000) ordinary shares of HK$0.10 each	**777,860**	777,860

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

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

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

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

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

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

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

Group revenue

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

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

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

The Group revenue by reportable segments is as follows:

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

Group operating and other expenses

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

Group financial position

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

PROSPECTS AND OUTLOOK

Market outlook

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

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

Business prospects

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

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

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

— Growing and strengthening the fundamental pillars

— Diversifying the business portfolio by launching new products and services

— Achieving operational excellence with powerful infrastructure

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

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

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

Grow and Strengthen the fundamental pillars

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

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

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

Diversify the business portfolio with new products and services

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

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

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

Achieve operational excellence with powerful infrastructure

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

A culture of risk management

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

Building a new corporate culture

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

Business review

(1) IFA Business

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

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

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

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

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

(2) Money Lending Business

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

(3) Asset Management Business

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

(4) Securities Dealing Business

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

Other developments

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

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

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

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

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

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

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

Looking ahead

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

LIQUIDITY AND FINANCIAL RESOURCES

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

CAPITAL STRUCTURE

As at 31 December 2019 and 2018, the authorised share capital of the Company was HK$2,000 million divided into 20,000,000,000 shares of HK$0.1 each and the issued share capital of the Company was approximately HK$777.9 million divided into 7,778,596,000 shares of HK$0.1 each. Please refer to note 19 to the consolidated financial statements in this announcement for the detailed explanation of the share capital structure of the Company.

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

HUMAN RESOURCES AND REMUNERATION POLICIES

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

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

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

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

SIGNIFICANT INVESTMENTS HELD

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

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

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

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

Stock code	**Name of investee company/fund**	**Nature of investment**	**Principal business or investment scope of the investee company/fund**	**Carrying value**		**Net investment/ (redemption) during the year**	**Change in fair value during the year**
				2019	2018		
				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	**551,133**	282,787	250,169	18,177
Not applicable	Tandem Money Limited	Investment in shares	Holding company of a virtual bank in the UK	**169,777**	157,979	–	11,798
Not applicable	Mulberry Health Inc.	Investment in shares	High growth technology and date driven health insurance company	**158,600**	165,724	–	(7,124)

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

On 1 April 2019, the Group disposed of its entire equity interests in 康宏碧升保險代理有限公司 and its subsidiaries including 江西康宏泛誠保險代理有限公司 and 康宏碧升保險代理有限公司(四川分公司) to an independent third party for a cash consideration of RMB15.4 million (equivalent to approximately HK$18.5 million), resulting in a loss on disposal of approximately HK$8.5 million for the year.

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

FUTURE PLANS RELATING TO MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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

CONTINGENT LIABILITIES

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

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

PLEDGE OF ASSETS

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

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

EVENTS AFTER THE REPORTING YEAR

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

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

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

(iv) References are made to the announcements of the Company dated 7 December 2017, 8 December 2017 and 21 December 2017 in relation to the enforcement operations conducted by the enforcement authority, involving two former executive Directors. Trading in the shares of the Company on the Stock Exchange was halted from 11:04 a.m. on 7 December 2017 (automatically converted to "being suspended" thereafter), and remains suspended as at the date of this 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 2019 (2018: HK$Nil).

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

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

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]

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]

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1 Announcements 21/12/2017& 09/01/2018
2 Announcement 24/09/2018
3 Announcement 04/11/2019

(b) HCA 3001/2017

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

(c) FSD 286 OF 2017

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

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

(d) HCMP 2773/2017

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

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4 Announcements 27/12/2017 & 04/11/2019
5 Announcement 03/01/2018
6 Announcement 04/11/2019
7 Announcements 03/01/2018 & 04/01/2018

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]

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

8 Announcement 8/3/2018
9 Announcement 16/01/2018
10 Announcement 12/02/2018

(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]

(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;

[11] Announcement 24/09/2018
[12] Announcement 04/11/2019

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

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

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

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

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

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

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

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

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

(h) BVIHK 0019 OF 2018 AND ITS APPEAL

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

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

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

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

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

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

15 Announcement 04/11/2019

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]

(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]

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16 Announcement 31/07/2020
17 Announcement 30/10/2020
18 Announcement 13/04/2018
19 Announcement 04/11/2019
20 Announcement 19/06/2018

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]

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.

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21 Announcement 04/07/2018

22 Announcement 24/09/2018

23 Announcement 31/07/2020

(l) HCA 1228/2019

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

(m) HCA 2416/2019

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

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

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

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

(i) damages and/or equitable compensation;

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

(iii) costs; and

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

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[24] Announcement 04/11/2019

[25] Announcement 3/2/2020

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

(n) HCA 1435 OF 2020

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

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

According to the Statement of Claim, CIHL seeks:

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

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

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

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

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

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

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

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

(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.

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27 Announcement 27/8/2020

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 2019 and has submitted its comments and recommendations to the board. Having received the comments and recommendations of the Audit Committee, management has revised certain disclosures in the financial results and the final version was submitted to the Board for approval. 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 2019, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 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 2019. 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Qualified Opinion

(i) *Loans receivable*

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

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

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

(ii) *Investments at fair value through profit or loss*

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

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

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

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

(iii) Acquisition of a subsidiary in 2016

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

(iv) Investment in an associate

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

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

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

(v) 2015 placing shares reserve

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

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

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

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

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

(vii) Prepayments, deposits and other receivables

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

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

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

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

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

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 2019 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.