CHINA FORTUNE INVESTMENTS
中國幸福投資

ANNUAL REPORT 2019

CFI

中國幸福投資(控股)有限公司
China Fortune Investments (Holding) Limited

CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with Limited Liability)
(Stock code: 8116)

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchange and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of China Fortune Investments (Holding) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

CORPORATE PROFILE

DIRECTORS

Executive Directors
Mr. Cheng Chun Tak *(Chairman)*
Mr. Stephen William Frostick
Ms. Li Ka Ki
Mr. Wong Chi Ho (Appointed on 29 November 2019)
Mr. Pan Xiaodong (Removed on 30 April 2019)
Mr. Liu Yunming (Removed on 30 April 2019)

Non-executive Director
Mr. Huang Shenglan

Independent Non-executive Directors
Mr. Lee Chi Hwa, Joshua
Mr. Xu Jingan
Mr. Chang Jun
Ms. Ching Wai Han (Resigned on 1 April 2019)

AUTHORISED REPRESENTATIVES

Mr. Stephen William Frostick
Mr. Chow Kin Wing *CPA, ACS, ACIS*

AUDIT COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Xu Jingan
Mr. Chang Jun

NOMINATION COMMITTEE MEMBERS

Mr. Chang Jun *(Chairman)*
Mr. Xu Jingan
Mr. Lee Chi Hwa, Joshua

REMUNERATION COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Chang Jun
Mr. Xu Jingan

COMPLIANCE OFFICER

Mr. Stephen William Frostick

COMPANY SECRETARY

Mr. Chow Kin Wing *CPA, ACS, ACIS*

AUDITORS

HLM CPA Limited
Room 1501-8, Tai Yau Building,
181 Johnston Road, Wanchai,
Hong Kong

PRINCIPAL BANKER

Dah Sing Bank, Limited
Standard Chartered Bank (HK) Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISORS

On Hong Kong Law:
Tang Tso & Lau Solicitors

On Cayman Islands Law:
Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681, George Town
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Shops 212-213, 2nd Floor,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands
Royal Bank of Canada
Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town
Grand Cayman KY1-1110,
Cayman Islands

Hong Kong
Tricor Abacus Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

STOCK CODE

8116

WEBSITE OF THE COMPANY

www.cfihk.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of China Fortune Investments (Holding) Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to report the Group's results for the year ended 31 December 2019.

In 2019, the economy in Hong Kong was affected by the social unrest since June, especially for the retail business in Hong Kong. The retail business of Maxpark Enterprises Limited ("Maxpark") and its subsidiaries (collectively, "Maxpark Group") was also struck hard by the on-going social unrest. According to the Hong Kong Census and Statistics Department, the monthly retail volume of Hong Kong has decreased around 22% from an average of HK$41 million for the 5 months ended 31 May 2019 to an average of HK$32 million for the 7 months ended 31 December 2019.

The overall economic environment in Hong Kong continues to be struck by the novel coronavirus from end of January 2020, and is expected to affect the global economic environment continually in 2020.

In order to enhance the retails business, Maxpark Group has implemented several development plans including signing exclusive distribution agreement with three Chile wines, extending the sole distribution of "Kasco" brand golf products to 2024 and launching of online shops. With the implantation of the development plans, the Group hopes to lessen the negative impact for its retails business in 2020. Beside the above-mentioned plans, the Group will continue to look for new opportunities to strengthen its existing business. The Board and I will also continue to seek suitable investment opportunities to diversify our existing business portfolio into new line of business with growth potential and to broaden our source of income.

I would like to take this opportunity to express my gratitude to the Board of Directors for their strategic guidance and the management and staff for their dedicated efforts and invaluable contributions in the past years. I also thank our shareholders, business partners and customers for their long-term support and trust.

Cheng Chun Tak
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Wine, Cigar and Golf products retail and trading business and trading of internationally renowned watch brands and luxury and prestigious jewelleries in Hong Kong

Maxpark Enterprises Limited ("Maxpark") and its subsidiaries (collectively "Maxpark Group") engages in the retail and trading business of wine, cigar and golf products and trading of internationally renowned watch brands and luxury and prestigious jewelleries through 6 direct subsidiaries all of which are incorporated in Hong Kong, namely Queensway Wine International Limited, Queensway Wine (Hong Kong) Limited, Queensway Golf International Limited, Mass Fortune (Asia) Limited, Kasco (Hong Kong) Limited and Queensway Watch & Jewellery Limited ("Queensway Watch") ("HK Subsidiaries"). Kasco (Hong Kong) Limited is a direct subsidiary of Maxpark and held as to 90.5% by Maxpark and 9.5% by an Independent Third Party.

Wine and cigar business

I Products

Maxpark Group sells a wide variety of wine products including red wine, white wine, champagne, whisky and other liquors and spirits, with particular focus on premium red wine produced from the leading wineries in France, namely Château Lafite Rothschild in Pauillac, Château Latour in Pauillac, Château Margaux in Margaux, Château Haut-Brion in Pessac-Léognan and Château Mouton Rothschild in Pauillac. The origin of the wine are mainly from France, the United States and Italy. Moreover, Maxpark Group has also become the exclusive distributor in Hong Kong and Macau of Vuelo, Guapas and Koa series (produced by Nobel Chile) since January 2020. Maxpark Group also sells cigar and tobacco which are considered to be complementary to the needs of the customers for the wine products.

II Suppliers

Maxpark Group sources its wine products from both overseas and local wine distributors and merchants. Overseas suppliers include wine distributors and merchants for leading wineries in France, United Kingdom, United States, Italy, Chile and Australia. Maxpark Group obtains its supplies for cigar and tobacco products from local distributors.

III Customers

The customers for Maxpark Group's wine products include corporations engaging in entertainment, travel, restaurants and luxury products businesses and high net-worth individuals.

IV Storage

Maxpark Group's wine inventory are stored either at its retail shop or at external warehouses which are equipped with automatic air-conditioning system to control the humidity and temperature of the storage environment.

Golf business

I ***Products***

Maxpark Group sells a wide range of golf related products including golf club, ball, shoes, glove, clothing and other accessories of various reputable brands from different countries.

II ***Suppliers***

Maxpark Group mainly sources its golf products from local distributors with the exception of "Kasco" brand products which are sourced directly from Kasco's Japan and Taiwan office. Maxpark Group is the sole distributor in Hong Kong of "Kasco" brand golf products. "Kasco" is a well-known Japanese golf brand with over 50 years' history. In February 2020, Maxpark Group has entered into a formal agreement with the manufacturer of "Kasco" brand products to be the sole distributor in Hong Kong and Macau of "Kasco" brand golf products to 2024. Maxpark Group will also source products from overseas suppliers according to customers' needs.

III ***Customers***

The customers for Maxpark Group's golf products include individual retail customers, local corporate customers such as banks and large corporations. Wholesale customers are mainly local golf clubs and golf retail shops.

Wine, Cigar and Golf products retail stores

Maxpark Group currently operates one shop for retail of wine products, cigar and tobacco and one shop for retail of golf products. The two shops are leased properties located next to each other at Shun Tak Centre, Sheung Wan, Hong Kong and occupy a total gross floor area of approximately 4,100 square feet. In March 2020, Maxpark Group also launched its online shops for its wine products, cigar and tobacco (http://www.queenswaywine.com.hk/) and golf products (http://www.queenswaygolf.com.hk/).

Watch & Jewelleries business

I ***Products***

Queensway Watch will focus on high-grade watch products. Tourbillion, Luxury watch or Miniature Painting watch are main products of Queensway Watch.

II ***Supplier***

Queensway Watch bought watch products mainly from the manufacturer directly in United States and Switzerland. The suppliers including Corum, Girard Perregaux, Audemars Piguet and Bovet 1822 which are the large and well-known luxury watch producer in the market.

III ***Customers***

The customers for Queensway Watch mainly include high net-worth individuals.

Group's other business

Apart from the above-mentioned, the Group had no other significant acquisition or disposal of investments during the year ended 31 December 2019.

Furthermore, the Group continues to explore any other new potential investment opportunities to improve the Group's standard performance and returns to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2019, the consolidated revenue of the Group from continuing operations was approximately HK$62.84 million and HK$249.03 million in 2018. Gross profit in 2019 is approximately HK$10.56 million (2018: HK$45.25 million) and gross profit margin of approximately 17% (2018: 18%).

The revenue approximately HK$50.10 million was generated from the retail and wholesales of wine, cigar and golf products, HK$12.73 million was generated from the retail of watch and jewelleries products and travel agency service income amounted to HK$14,000.

Other income

The other income from continuing operations was approximately HK$2.30 million for the year ended 31 December 2019 (2018: HK$946,000). Other income mainly included reversal of allowance of doubtful debts, gain on disposal of a motor vehicle and gain on early redemption of convertible bonds.

Selling and distribution expenses

Selling and distribution expenses from continuing operations was approximately HK$4.33 million for the year ended 31 December 2019 (2018: HK$6.76 million). Selling and distribution expenses mainly included rental expenses, salaries and wages and building management fees.

Administrative expenses

Administrative expenses from continuing operations was approximately HK$38.57 million for the year ended 31 December 2019 (2018: HK$34.37 million). Administrative expenses mainly included rental payments, legal and professional fees, salaries and wages and provision for expected credit loss of accounts receivables.

Finance costs

Finance costs from continuing operations increased from approximately HK$43.65 million for the year ended 31 December 2018 to approximately HK$46.26 million for the year ended 31 December 2019. The finance costs were mainly consisted of imputed interests on convertible bonds, interest on promissory notes and lease liabilities. The increase of finance costs was mainly attributed to the interests on promissory notes.

Results of the Group's operations

Loss attributable to shareholders of the Company was approximately HK$129.12 million for the year ended 31 December 2019, compared with the loss approximately HK$342.47 million for the year ended 31 December 2018. The loss for the year was ,mainly attributed to the economy in Hong Kong was struck hard due to the social unrest since June 2019, which heavily affected the retail business of the Group in 2019.

Dividends

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalents as at 31 December 2018 and 2019 amounted to approximately HK$23.12 million and HK$9.30 million respectively. The major capital resources of the Group included cash generated from operating activities and the proceeds raised by the Group in Hong Kong.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

GEARING RATIO

As at 31 December 2019, the Group's gearing ratio (total liabilities divided by total assets) is approximately 143% (31 December 2018: approximately 85%). Given the continuing financial support from the largest shareholder of the Company, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

CAPITAL STRUCTURE

In January 2014, the Group issued convertible bonds with principal amount of HK$312 million (the "CB I"). For the CB I, approximately HK$257.40 million was converted in previous years. The CB I was fully redeemed during the year.

In November 2017, the Group issued convertible bonds with principal amount of HK$80 million (the "CB III") as part of the consideration for acquisition of Affluent Grand Limited. The CB III do not bear any interest. The effective interest rate of liability is 18.72% per annum. The maturity dates is on the fifth anniversary of the date of issue of the CB III. As at 31 December 2019, principal amount of HK$80 million CB III was outstanding.

In April 2018, the Group issued convertible bonds with an aggregate principal amount of HK$100 million due in 2023 with conversion price of HK$0.42 per share (the "CB IV") as final consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB IV does not bear any interest. The effective interest rate of the liability component is 19.15% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB IV. The CB IV was fully redeemed by way of set off during the year.

For details, please refer to note 28 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON GROUP ASSET

As at 31 December 2019, none of the Group's assets were charged or pledged to secure any loans or borrowings.

FOREIGN EXCHANGE EXPOSURE

Since the Group's sales, purchases and loans were substantially denominated in either Renminbi or Hong Kong Dollar, the Directors of the Company consider that the potential foreign exchange exposure of the Group is limited.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a workforce with head count of 30. Employee benefit expenses, including directors' emoluments, amounted to approximately HK$12.85 million. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to retirement benefits scheme and medical insurance.

ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed above, the Group had no other acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, the Group did not have any future plans for material investments or capital assets as at 31 December 2019.

SIGNIFICANT INVESTMENT

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

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Corporate Governance Code (the "CG") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005. It sets out the principles of good corporate governance and the Company is required to comply with the code provisions of the CG. The Company is fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and our shareholders. The Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in this report, the Group has adopted practices which meets the code provisions of the CG.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the year 2019.

BOARD COMPOSITION

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company.

As at 31 December 2019, the Board comprises a total of 8 Directors, with 4 Executive Directors, namely Mr. Cheng Chun Tak (Chairman), Mr. Stephen William Frostick, Ms. Li Ka Ki and Mr. Wong Chi Ho (Appointed on 29 November 2019), 1 Non-executive Director, namely Mr. Huang Shenglan and 3 Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan, and Mr. Lee Chi Hwa Joshua. One Independent Non-executive Director has appropriate professional qualifications, accounting and financial management expertise.

Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. As of 31 December 2019, the Company has not appointed a CEO since the removal of Mr. Cheung Ho Man Allan on 29 March 2019, and the roles and functions of the CEO have been performed by all Executive Directors collectively.

The Group has in place internal control system to perform the check and balance function. In addition, the Board comprises 8 Directors, the balance of power and authority between the Board and management will not be compromised.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

TRAINING AND SUPPORT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the Code on Directors' training.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director (if any) receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Directors had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers.

The Company from time to time will provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors during the year is summarised as follows:

Name of Directors	**Type of trainings**
Mr. Cheng Chun Tak *(Chairman)*	A,B
Mr. Stephen William Frostick	A,B
Ms. Li Ka Ki	A,B
Mr. Wong Chi Ho (Appointed on 29 November 2019)	A,B
Mr. Pan Xiaodong (Removed on 30 April 2019)	N/A
Mr. Liu Yunming (Removed on 30 April 2019)	N/A
Mr. Huang Shenglan	A,B
Mr. Lee Chi Hwa, Joshua	A,B
Mr. Xu Jingan	A,B
Mr. Chang Jun	A,B
Ms. Ching Wai Han (Resigned on 1 April 2019)	N/A

A: attending training session/briefings/seminars/conferences/forums/workshops

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The Board meets regularly over the Company's affairs and operations. Details of the attendance of each member of the Board at the meetings of the Board, its respective committees and the general meetings during the year ended 31 December 2019 are as follows:

Name of Directors	Board Meeting Attended/ Eligible to attend	Audit/ Investigation Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	General Meeting Attended/ Eligible to attend
Number of meetings held during the financial year	35	4	3	3	1
Executive Directors					
Mr. Cheng Chun Tak *(Chairman)*	35/35	N/A	N/A	N/A	1/1
Mr. Stephen William Frostick	26/35	N/A	N/A	N/A	N/A
Ms. Li Ka Ki	32/35	N/A	N/A	N/A	N/A
Mr. Wong Chi Ho (Appointed on 29 November 2019)	3/4	N/A	N/A	N/A	N/A
Mr. Pan Xiaodong (Removed on 30 April 2019)	4/10	N/A	N/A	N/A	N/A
Mr. Liu Yunming (Removed on 30 April 2019)	2/10	N/A	N/A	N/A	N/A
Non-executive Director					
Mr. Huang Shenglan	28/35	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Lee Chi Hwa, Joshua	25/35	3/4	3/3	3/3	N/A
Mr. Xu Jingan	32/35	4/4	3/3	3/3	N/A
Mr. Chang Jun	26/35	4/4	3/3	3/3	N/A
Ms. Ching Wai Han (Resigned on 1 April 2019)	2/5	N/A	N/A	N/A	N/A

All of the Independent Non-executive Directors were unable to attend the Company's annual general meeting held on 10 January 2020 during the year due to other prior business engagements.

NON-EXECUTIVE DIRECTORS

The Non-executive Directors are subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles").

All the existing Non-executive Directors are appointed for an initial term of three years and the term of office shall continue after the expiration of the initial term until at least 1 month's prior written notice is given by the Director. The remuneration packages for Non-executive directors are determined by the Board of Directors. They are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the Share Option Scheme.

REMUNERATION OF DIRECTORS

A Remuneration Committee was formed on 30 October 2005 for, inter alia, the following purposes:–

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

(b) to determine the remuneration packages for Executive Directors and senior management and to make recommendations to the Board on the remuneration of Non-executive Directors.

The Remuneration Committee is made up of the Company's Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan and Mr. Lee Chi Hwa Joshua. Mr. Lee Chi Hwa Joshua is the Chairman of the Remuneration Committee.

Meetings have been held in 2019 to review the remuneration packages of Executive Directors, which are nominal by market standards. The Directors' fees of the Company's Independent Non-executive Directors have not been changed during the year according to market levels. The Remuneration Committee held 3 meetings during the year to consider and approve (a) bonus payments to employees of the Group, (b) salary increases of senior management of the Group and (c) range of salary increase for employees of the Group.

The Remuneration Committee will meet and determine the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's Directors in 2019.

NOMINATION OF DIRECTORS

A Nomination Committee was formed on 31 October 2007 for, inter alia, the following purposes:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board;

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

(c) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee is made up of the Company's Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan and Mr. Lee Chi Hwa Joshua. Mr. Chang Jun is the Chairman of the Nomination Committee. The Nomination Committee held 3 meetings during the year to review the structure, size and composition of the Company's Board of Directors. The Nomination Committee was satisfied with the existing composition of the Company's Board of Directors and recommended no change in the near term.

The Nomination Committee will meet and determine the nomination procedures and the process and criteria to select and recommend candidates for directorship in 2020.

AUDITOR'S REMUNERATION

The remuneration in respect of audit provided by the auditors, HLM CPA Limited, to the Company for the year 2019 amounted to HK$1,100,000. Non-audit services amounted to HK$100,000 were provided by HLM CPA Limited during the year.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa Joshua, Mr. Xu Jingan and Mr. Chang Jun. Mr. Lee Chi Hwa Joshua is the Chairman of the Audit Committee. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2019, the Audit Committee held 2 meetings. The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Audit Committee also carried out and discharged its duties set out in the CG. In the course of doing so, the Audit Committee has met the Company's management, qualified accountant and external auditors in 2019.

DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to which the Company should maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its share value in recommending or declaring dividends. The Company does not have any pre-determined dividend distribution ratio. The proposal of payment and the amount of dividends will be made at the discretion of the Board and will depend on the Group's results of operations, earnings, financial condition, cash requirements and availability, future capital expenditure and development requirements, business conditions and strategies, interests of shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant. The Board will review the dividend policy as appropriate from time to time.

CORPORATE GOVERNANCE FUNCTIONS OF THE BOARD

The Board is responsible for performing the corporate governance functions of the Group. The Board has reviewed this corporate governance report in discharge of its corporate governance functions, ensuring compliance with the GEM Listing Rules.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the consolidated financial statements, which give a true and fair view. The auditors are responsible for forming an independent opinion, based on the audit, on the consolidated financial statements prepared by the Directors and reporting the opinion solely to the shareholders of the Company.

INTERNAL AUDIT AND RISK MANAGEMENT

Internal Audit

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the shareholders' interests and the Company's assets.

The Group's has outsourced the internal control systems auditing function. The outsourced internal auditor reports directly to the Audit Committee and is responsible for conducting regular audits on the major activities of the Group.

The objective is to ensure that all important controls, including financial, operational compliance, and risk management functions are in place and functioning effectively.

During the year, the committee approved the annual internal audit plan. The plan includes a number of cyclical reviews of key operational functions to ensures that, while there is focus on areas deemed to be higher risk, all parts of the business will be covered over a three-year cycle.

The annual internal audit plan will be reviewed on a periodic basis to ensure that it is adapted as necessary to any changes in the Group's risk profile.

The Board has received a report from the outsourced internal auditor summarising audits concluded in the year. The report summarised internal audit findings and any action to be taken by management as a result.

After each audit, the findings and recommendations for improvement will be communicated to the respective management for their responses and corrective actions.

The Committee has reviewed the findings and recommendations made by the outsourced internal auditor and have ensured that any issues arising from the audit are appropriately resolved by management in an efficient and timely manner.

It should be recognised that such an audit can provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives.

Risk management

The Board has ultimate responsibility for risk and the oversight of the risk management process within the business. Recognising that risk is inherent in all of the Group's business dealings, and in the markets and instruments in which the Group operates, it places a high priority on ensuring that there is a strong risk management culture embedded throughout the Group, and accountability at all levels within the business. Effective risk management and strong internal controls are integral to the Group's business model and are reflected in the risk management framework adopted within the business.

The Board has delegated authority to the Audit Committee to provide oversight and independent challenge to ensure that the Group established an effective risk management framework and internal control systems. The Board oversees the Company's management in the design, implementation and monitoring of the risk management and internal control systems and such systems can only provide reasonable but not absolute assurance against material misstatement or loss resulting from business activities.

The Audit Committee conducted its annual review of the adequacy and effectiveness of the Group's risk management and internal control arrangements in relation to the Group's strategy and risk profile for the financial year.

Our risk management process

The risk management contains the following processes, which are connected to setting up targets, identification of risks, risk prioritisation and assessment, risk owner appointment, review, handling, reporting, follow-up, monitoring and reacting to identified risks.

A corporate risk register is maintained in order to track and document the risks identified and provides a detailed outline of the corporate risks facing the Group at a given point in time. It provides a description of the risk, risk owner assigned for ensuring the risk is managed appropriately, highlights the status of each corporate risk as well as what actions are currently in place, or are being progressed to further reduce the likelihood and impact of the risk occurring.

COMPANY SECRETARY

Mr. Chow Kin Wing ("Mr. Chow") is the Company Secretary of the Company ("Company Secretary"). He is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. During the year, the Company fully complied with Rules 5.14 of the GEM Listing Rules.

Up to the date of this report, Mr. Chow has undertaken not less than 15 hours of relevant professional training.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders and established a range of communication channels between itself, its shareholders and investors which in compliance with the GEM Listing Rules. During the year under review, there is no change in the Company's constitutional documents.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles, general meetings shall be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a Director of the Company are laid down in article 88 of the Articles. No person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to as a Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the head office or at the Registration Office. The minimum length of the period during which such notices are given shall be at least seven days and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by mail to Shops 212-213, 2nd Floor, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

About the Report

The Environmental, Social and Governance Report (the "Report") summarizes the initiatives, plans and performance of China Fortune Investments (Holding) Limited (the "Company"), together with its subsidiaries (the "Group" or "We") in the environmental, social and governance ("ESG") aspects, and illustrates the sustainability of our business activities in terms of ESG.

The Group adheres to the management policies of sustainable ESG development and is committed to handling the Group's ESG matters effectively and responsibly, which we believe are of great significance for our business and operation.

Reporting Framework

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Reporting Guide") set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The details of the operations of the Group are set out in the "Corporate Governance Report" section of the annual report of the Company for the financial year ended 31 December 2019 annual report (the "Annual Report"). If there is any conflict or inconsistency, the English version shall prevail.

Reporting Period

The ESG Report elaborates on the Group's ESG events, challenges and measures during the year from 1 January 2019 to 31 December 2019 (the "Reporting Period").

Reporting Scope

The Group is principally engaged in the retail and trading business of wine, cigar and golf products and trading of internationally renowned watch brands and luxury and prestigious jewelleries in Hong Kong.

The directors (the "Directors") and the board of Directors (the "Board") of the Company have confirmed that the Report does not contain any false information, misleading statements or material omissions, and collectively and individually, accept responsibility for the truthfulness, accuracy and completeness of its contents.

The Group refers to the Reporting Guide with a complete index in compliance is available at the end of this Report for reference. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this report has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide. This year's Report is further enhanced, with a wider range of key performance indicators ("KPIs"). In line with these standards, key stakeholders, including operation departments, management and independent third parties, were engaged in the material assessment and identification of the relevant and important environmental, social and governance policies, for incorporation in the Report.

Stakeholder Engagement

The Group is committed to maintaining the sustainable development of its business and the environmental protection of the communities in which it operates. We maintain a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, business partners/suppliers, community, etc. and strive to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. We assess and determine our environmental, social and governance risks, and ensure that the relevant risk management measures and internal control systems are operating effectively. The following table shows the management response to the stakeholders' expectations and concerns:

Major Stakeholders	Expectations and concerns	Management response
Government/regulatory organizations	Compliance in laws and regulations	Establish comprehensive and effective internal control system
	Fulfill tax obligation	Pay tax on time, and in return contributing to the society
	On-site visits and inspections	Uphold integrity and compliance in operations
Investors/ Shareholders	Return on investment	Management possesses relevant experience and professional knowledge in business sustainability
	Information transparency	Ensure transparent and effective communications by dispatching information on the websites of HKEX and the Company
	Corporate governance system	Continue to improve the internal control system and focus on risk management
Customers	High quality services	Improve the quality of services continuously in order to maintain customer satisfaction
	Reasonable price	Ensure proper contractual obligations are in place

Major Stakeholders	Expectations and concerns	Management response
Business partners/ Suppliers	Good relationship with the Company	Business partners and suppliers' management meetings and events
	Corporate reputation	Business partners and suppliers on-site audit management policy
Employees	Career development	Encourage employees to participate in continuous education and professional trainings
	Compensation and welfare	Establish a fair, reasonable and competitive remuneration scheme
	Health and workplace safety	Pay attention to occupational health and safety
Community	Environmental protection	Pay attention to climate change
	Community contribution	Encourage employees to actively participate in charitable activities and voluntary services
	Economic development	Maintain good and stable financial performance and business growth

Materiality Assessment

The management and employees that perform major functions in the Group have all participated in preparing the ESG Report to assist the Group in reviewing its operation, identifying relevant ESG matters, and assessing the importance of such relevant matters to our business and stakeholders. Information was collected from relevant departments and business units of the Group based on the major ESG matters that had been assessed.

During the Reporting Period, the Group confirmed that appropriate and effective management policies and control systems for ESG matters have been established and that the disclosed contents are in compliance with the requirements of the Reporting Guide.

Contact us

We welcome any opinions and suggestions from stakeholders. Please feel free to provide your valuable opinions on the ESG Report or our performance in sustainable development via info@cfihk.com.hk.

II. ENVIRONMENTAL PROTECTION

Major Scope & Aspects

Higher standards for environmental, social and governance have been an increasing demand alongside our living standards. Not only does the Group concern meeting the needs of our generation but also the needs of our future generations, as well as sustainable development, stability and prosperity of our society. As an environmental enterprise, the Group recognises its imperative social responsibility to take lead to protect the environment and will pursue higher priority on minimising impacts on climate changes and reducing greenhouse gases emissions, through all aspects of business operations.

1. Emissions

General Disclosures and Key Performance Indicators ("KPIs")

The Group endeavours to fulfil the social responsibility for environmental protection as its efforts to protect the Earth and build a sustainable future for our future generations. In order to monitor our environmental management and minimise the impacts of our business operation, the Group has formulated relevant policies for environmental management, while promoting employees' awareness on environmental protection and complying with relevant laws and regulations.

Most of the Group's greenhouse gas emission comes from, among others, gasoline consumed by vehicles and the electricity consumed by corporate offices.

During the Reporting Period, the Group was not aware of any major violations against environmental laws and rules, including but not limited to the Noise Control Ordinance and the Waste Disposal Ordinance.

Exhaust Gas Emissions

As a company principally engaged in retail and trading business, the Group, given its business nature, does not carry out any industrial production or own any factories. In March 2020, the Group also launched its online shops for its wine products, cigar and tobacco. Therefore, the Group does not directly produce a large amount of exhaust gas throughout its operation. Besides, the Group strives to achieve optimised use of resources in all of its business operations. In order to meet the targets of higher energy efficiency and less use of unnecessary materials, the Group has established relevant policies and procedures to manage the effective use of resources. Through adopting various energy-saving and emission reduction measures, the Group strives to minimise its environmental impacts and continuously address the environmental problems associated with global warming, pollutions and environmental diversity.

The Group also encourages the employees to keep the usage of electricity to a minimum by introducing certain energy conservation measures, such as turning off unnecessary electronic appliances. The Group has also put notes at prominent places to encourage the employees to reduce electricity consumption and conserve energy during office hours.

Waste Management

The Group adheres to the principles of waste management and is committed to a sound and proper management of all waste generated during our operation.

Our waste management practice is compliant with laws and regulations relating to environmental protection. The Group has also implemented policies to reduce waste generation through environmental education, aiming at waste management from the source.

During the Reporting Period, the Group's waste gas treatment meets the requirements of applicable laws and regulations.

Hazardous Waste

The disposal of hazardous waste is the responsible by an independent third party and the business partner. Some hazardous waste (such as waste oil rag, organic cleaning waste liquid, waste cutting fluid, waste day light tube, waste empty container, waste dry battery, waste glue water, waste washing machine water and waste engine oil) must be isolated and stored in a designated container to prevent leakage and be recycled and disposed of by a licensed waste collector. We also arrange adequate training for our employees to ensure their safety and prepare emergency response plans to prevent leakage.

Non-hazardous Waste

Non-hazardous wastes such as metals, waste residues, plastics, paper and general waste are properly classified according to recyclable waste and non-recyclable waste, and are stored in designated collection areas. The collected recyclable waste is then periodically recycled by the waste collector. The Group identifies and classifies waste, centrally stores it, and disposes it in a unified manner. The persons in charge dispose of waste in a timely manner and maintain environmental sanitation around them.

In addition, the Group is committed to establish an electronic and green headquarter:

- making full use of the online system in the offices, general transaction notification, data transmission, etc. through the network system;
- requiring employees to copy or print on both sides as much as possible;
- using both sides of offices paper as much as possible;
- collecting and recycling waste paper by the administrative department; and
- disposing of waste packaging boxes as "recyclable" waste.

Sewage Discharge

The domestic sewage produced by our businesses, which mainly comes from the daily use of water resources by employees at work, is discharged into municipal sewage treatments plant through drainage pipelines. There is no large amount of sewage being discharged throughout the daily operation.

During the Reporting Period, the Group's sewage treatment meets the requirements of relevant laws and regulations.

2. **Use of resources/Energy Efficiency Management**

General Disclosures and KPIs

2.1. Energy Consumption

The Group is aware that our major contribution to the greenhouse gas emission and energy footprints lies on the electricity consumption by our corporate offices and business premises. As such, we actively maintain a steady focus on reducing our energy consumption to manage our impacts on the environment, being committed to observing the "Indoor Temperature Energy Saving Charter" and the "No Incandescent Light Bulbs ("ILB") Energy Saving Charter" introduced by the Environment Bureau of the Government of Hong Kong Special Administrative Region.

The Group has developed a number of energy-saving initiatives specific to reduce greenhouse gas emission and conserve energy usage throughout our operation, including:

- equipment, machines and electronic devices shall be turned off after office hours;
- indoor temperature is maintained at an optimal level for comfort;
- signage is put up at appropriate areas to raise the awareness of energy-saving;
- LED lighting system is recommended to set up widely in workplaces in order to save energy during the office hours; and
- telecommunication system is recommended to replace unnecessary travel arrangements wherever appropriate and possible.

2.2 Water Consumption

During the Reporting Period, there was no major problem about sourcing water that is fit for use in its operations. As for the offices of the Group, due to the nature of the operations, water consumption mainly arises from the daily use of water by the employees at the offices during working hours, and the domestic sewage is directly discharged into municipal sewage pipelines.

Given its business nature and as its businesses are mainly based in Hong Kong, there is no problem for the Group to source water that is fir for purpose.

As the Group rented an office premise from an independent third party and paid management fee for the use of the common water facilities so data for the water consumption.

2.3 Paper Consumption

The Group is committed to a paperless operation, constantly encouraging all employees to reduce paper usage through duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents.

Reusable paper products, such as envelopes, are properly recycled whereas the use of disposable paper products, such as paper cups and paper towels, are discouraged wherever possible and appropriate during our operation.

2.4 Use of Packaging Materials

As the Group is principally engaged in retail and trading businesses, packaging materials for the products mostly come from suppliers. Hence, we do not use a large quantity of packaging materials for the products. In addition, we encourage suppliers to produce as less waste as possible by choosing recyclable packaging materials and reusing packaging materials wherever possible.

3. Environmental Protection and Natural Resources Conservation

General Disclosures and KPIs

Working Environment

The Group considers environmental protection and preservation of natural resources as the integral parts of our sustainable and responsible operation. We are dedicated to providing a comfortable and green working environment for our employees in order to improve their productivity. We monitor and measure the indoor air quality of our workplaces and maintain satisfying indoor air quality by cleaning the air conditioning system on a regular basis. We also keep the office environment in a hygienic and clean condition.

ENVIRONMENTAL PROTECTION

Environmental KPIs[1]

	Unit	2019	2018
Air emissions			
Nitrogen Oxides (NO_x)	g	**5,214**	87,710
Sulphur Oxides (SO_x)	g	**153**	272
Particulate Matter (PM)	g	**384**	8,404
Greenhouse gas emissions			
Direct GHG emission (Scope I) – gasoline consumption	tonnes CO_2-e	**27.77**	50.2
Indirect GHG emission (Scope II) – electricity consumption	tonnes CO_2-e	**8.86**	14.9
Total GHG emission	tonnes CO_2-e	**36.63**	65.1
Total Intensity – Quantity per million HKD revenue[2]	tonnes	**0.58**	0.52
Energy consumption			
Gasoline	L	**10,440**	18,535
Intensity – Quantity per million HKD revenue[2]	L	**166**	74
Electricity	kWh	**11,071**	18,859
Intensity – Quantity per million HKD revenue[2]	kWh	**176**	34
Hazardous wastes[3]	N/A	**N/A**	N/A
Non-hazardous wastes			
– Paper	Kg	**228**	328
Intensity – Quantity per million HKD revenue[2]	Kg	**3.63**	1.32

Note:

1. Greenhouse gas emission data are presented in terms of carbon dioxide equivalence with reference to the requirements of, including but not limited to, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (《溫室氣體盤查議定書：企業會計與報告標準》) published by the World Resources Institute and the World Business Council for Sustainable Development, the Reporting Guidance on Environmental KPIs (《環境關鍵績效指標彙報指引》) published by the Stock Exchange and the 2017 Sustainability Report published by CLP Power Hong Kong Limited.

2. During the Reporting Period, the total revenue of the Group was HKD62,839,000 (2018: HKD249,033,000).

3. During the Reporting Period, the Group did not produce significant hazardous waste.

III. SOCIETY

Major scope & aspects

The Group makes an effort to provide a safe working environment for the employees and to care for the overall wellbeing of the employees. In relation to employment and labour practices, the human resource department focuses on employment, health, safety, development and training. The Group complies with laws and regulations on compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity and other benefits as well as anti-discrimination law.

1. Employment and Labor Practices

General Disclosure

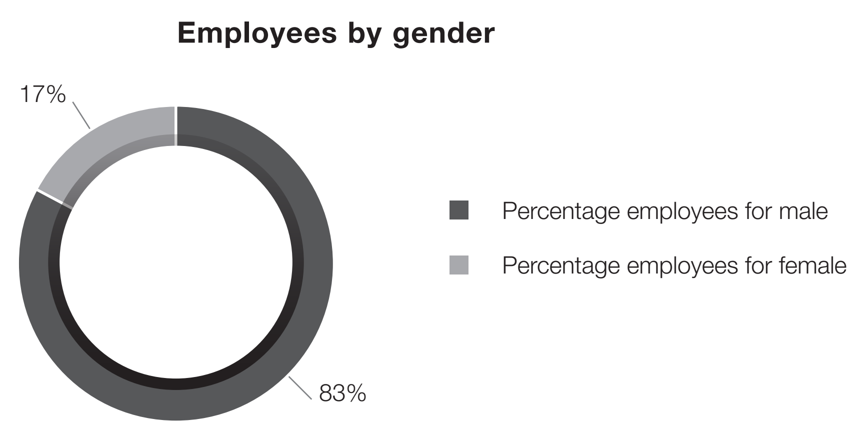
The Group strictly complies with the Employment Ordinance, Employees' Compensation Ordinance and Minimum Wage Ordinance. The Group determines salaries on the principle of fairness and ensures that wages are no lower than the minimum wage stipulated by law. Wages in related markets are also referenced, so that the Group can provide attractive compensation. The Group offers a variety of allowances to qualified employees, and provides staff members with retirement protection plans, as stipulated by law and regulations. The Group welcomes diversity in its staff members. Regardless of ethnicity, religion, gender or age, all people receive equal employment opportunity in such matters as recruitment, development, promotion and training.

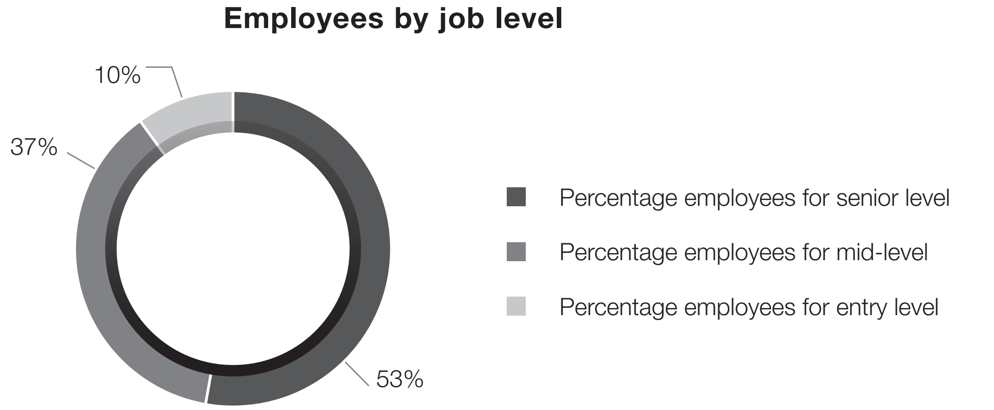
Salaries and Benefits

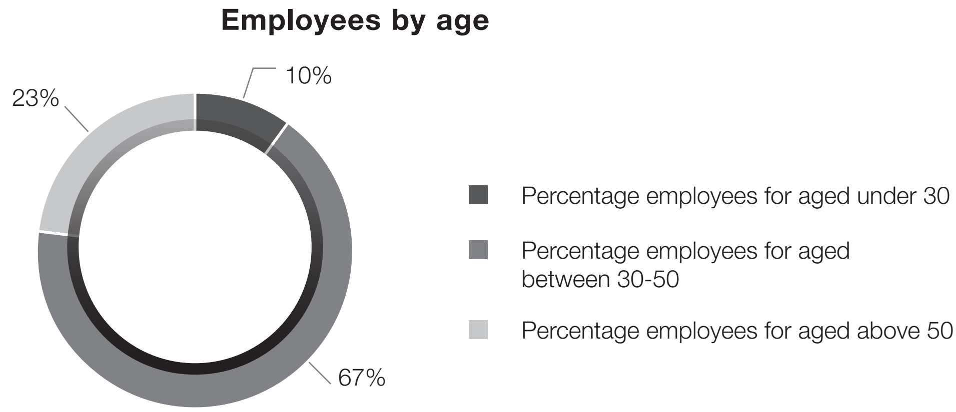
(Recruitment, promotion and salaries)

To recruit and retain talented employees, the Group offers competitive salary package with benefits and welfare based on their qualifications, working experience and performance. The Group endeavours to provide a harmonious working environment for our staffs. The corporate culture will naturally create a synergy to facilitate employee retention and improve productivity. Therefore, regular and festival gatherings such as Mid-Autumn Festival and Chinese New Year feasts are organised to enhance the harmonious spirit shared by different levels of staff members within the Group. The Group is committed to invest in retaining our employees and helping their development so that they can perform their best as well as obtain satisfaction and fulfilment at work.

As at 31 December 2019, the Group has a total of 30 employees. The compositions by categories of employees are as follows:







During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of human resources.

Equal Opportunities and Anti-discrimination
With an objective to uphold an open, fair, just and reasonable human resource policy, the Group recruits and promotes employees based on virtues, skillsets and experience, irrespective of gender, age, race, religion, political affiliation, national origin, and/or disability.

The Group constantly monitors its employees' performances. Newly admitted employees will have a 3-month probation period and then they will be able to join the Group, permanently.

The Group also provides comprehensive support for its female employees. It provides comprehensive support for pregnant employees in accordance with the law. The female employees are allowed to return to their original jobs after childbirth. Also, during their pregnancy period, the Group prohibits its pregnant employees from performing physically demanding assignments to ensure the safety of both the child and mother.

During the Reporting Period, we continued to strictly follow the relevant laws and regulations and our employment policies, providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, to recruit and retain our experienced employees. We also provided a formal complaints procedure for employees to express their opinions.

2. **Health and Safety**

General Disclosure

The Group puts particular emphasis on health and safety and attaches great importance to health protection and places a safe working environment as it firmly upholds the principle of "safety first and prevention prevails". We maintain the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. We have taken the following measures:

- installing air purifiers in relatively crowded areas such as conference and meeting rooms;
- prohibiting smoking and abuse of alcohol and drugs in the workplace;
- providing clean and tidy rest area such as corridors and pantry;
- providing adjustable chairs and monitors for eye protection;
- setting up posters of proper working postures and lifting method accessible on the intranet and at appropriate locations in offices;
- conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency; and
- improving the fire evacuation plans by providing first aid kits and fire extinguishers in workplace in response to emergencies.

During the Reporting Period, the Group complies with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), by ensuring that the employees are working in a safe environment; as well as providing induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can.

As at 31 December 2019, the Group has not recorded any working days lost to employees due to work-related injuries, no incident that caused death or serious bodily injury, no claims or compensation for our employees due to such incidents, and no significant violations of laws and regulations relating to employees' health and safety matters.

3. **Development and Training**

General Disclosure

Considering that each of the position is subject to unique professional requirements, the Group ensures that every new employee receives proper orientation training and mentoring in order to help them spontaneously adapt to the new working environment. Training programs offered by the Group to new employees cover different areas, such as specific skill development, internal systems, corporate culture, health and safety, business ethics, corruption prevention and highlights of the staff handbook.

The table below sets out the numbers and rate of employees trained during the Reporting Period:

	2019	2018
Total training hours (hrs)	**180**	240
Average training hours per employee (hrs)	**6**	5.3
Rate of employee trained (%)	**30**	–

Furthermore, the Group encourages and supports employees to participate in personal and professional trainings in response to the relevant evolving market needs, such as changes in laws and regulations, market trends, product trends and customer behaviours. Based on the needs of individual employees, we also provide education allowances to facilitate improvement of their job skills and encourage them to maintain the non-stop learning spirit.

4. **Labour Standards**

General Disclosure

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. New employees are required to provide true and accurate personal data when they are onboard. Recruiters should strictly review the entry documents including medical examination certificates, academic certificates and identity cards. The Group constantly rejects to engage suppliers and contractors, that hire child labour or forced labour in their operations, to provide administrative supplies and services.

The Group strictly complies with the relevant laws and regulations, including the Labour Law, the Protection of Minors and the Prohibition of Using Child Labour of the PRC and the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong).

During the Reporting Period, no material non-compliance with the laws and regulations related to the prevention of child labour or forced labour have been found by the Group.

5. Supply Chain Management Mechanism

General Disclosure

As part of the responsibility of an accountable corporate citizen, the Group is determined to embed the pursuit of sustainability in our core business. Accordingly, the Group has developed a series of management systems and procedures in alignment with the corporate governance requirements of the Stock Exchange. Furthermore, the Group encourages all business partners to incorporate these sustainability practices and policies into their operation thoroughly in order to work together with us in pursuit of sustainable development.

Supply Chain Management

To better manage our supply chain, we are committed to actively collaborating with our suppliers to reduce potential environmental risks and deliver the highest standards of products and services precisely and consistently. The Group has developed a high quality and stable pool of suppliers and has never experienced any major difficulties in obtaining sufficient supply of satisfying products.

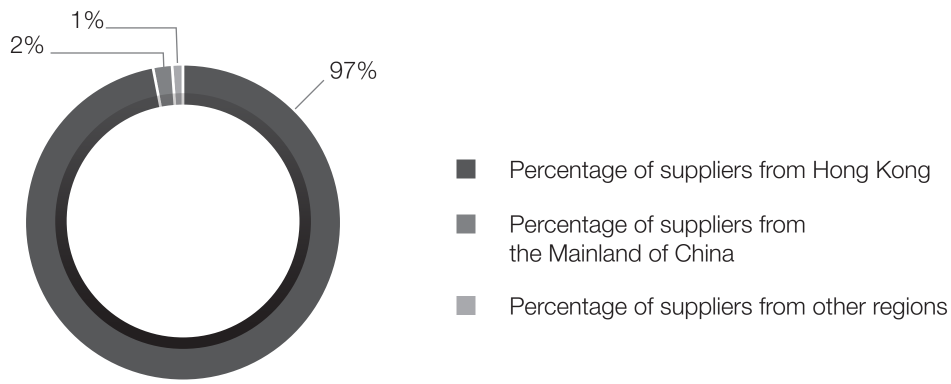
As the core of our business, our supply chain management team not only considers commercial interests during the tendering processes, but also assesses the track records of suppliers on compliance with legal, ethical and social aspects, such as use of child labour and forced labour, workplace health and safety, working hours, compensation, benefits and wages, mitigation of environmental impacts, workplace and product safety, protocols against sexual assault and gender discrimination, protocols against harassment and abuse, etc.

We have developed a vendor and supplier selection mechanism under which we require our potential suppliers to comply with all the applicable laws and regulations related to safety assurance, environment and social aspects. To maintain good corporate management and governance, inspections and assessments may be conducted by the Group if deemed necessary.

We have also set up procedures to ensure that suppliers may compete in a fair and open manner. Suppliers will not be treated differently or discriminated during the selection process, and all types of commercial bribery will be strictly monitored and prevented.

The number of suppliers during the Reporting Period is presented by geographic region in the chart below (2018: 85.90% from Hong Kong, 8.46% from the mainland of China and 5.64% from other regions). The Group continues to promote the localization of suppliers. Under the same terms and conditions, we prioritized a mutually beneficial partnership with local suppliers. With the application of scientific technology in logistic management, we are committed to shortening material delivery time, while controlling warehouse storage and delivery pressure, reducing vehicle emissions and negative impact on the environment.

Suppliers by Geographic region



6. **Product Responsibility**

General Disclosure

To be a successful business, we maintain continuous communication with our customers to ensure that we understand and fulfil their needs and expectations, so that we can improve the quality of our services in the long run. The Group is committed to the highest standards of service we deliver. The Group sold 54,874 products (2018: 61,357 products) to the customers during the Reporting Period. Customers are welcome to provide comments on our services. The Group has set up various complaints and feedback channels, such as guest comment cards, telephone hotline, social media, emails and websites, to collect suggestions and advice from customers.

The Group complies with relevant laws and regulations, for instances, the Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong). The Group also carries out continuous and regular assessment of the product quality and review of opportunities for improvements and changes.

During the Reporting Period, the Group did not identify any material non-compliance of the laws and regulations related to the quality of products and services.

Privacy Protection

The Group is committed to compliance with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), to ensure that all data are securely kept in our internal system with access control.

The Group also set out data privacy requirements in our corporate policies, under which customer and supplier data would be used exclusively for matters relating to the Group's operation only. We strive to ensure all collected data kept is free of unauthorized or accidental access, processing, erasure or other use.

During the Reporting Period, there were no cases of product recall nor complaints received against our services due to health and safety issues during.

7. **Anti-corruption Mechanism**

General Disclosure

The Group strictly complies with the Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong) enforced by the Hong Kong Independent Commission Against Corruption to prevent unethical pursuit. We place great importance in maintaining the highest standards of integrity and honesty and have no tolerance for any misconduct case. Once misconduct case is discovered and confirmed, the employee will be subject to disciplinary action and the case will be reported to related governing body when necessary.

During the Reporting Period, no significant risks relating to corruption were identified. There were no confirmed incidents in relation to corruption or public legal cases brought against the Group or its employees concerning corruption. There were also no confirmed incidents where contracts with business partners were terminated or not renewed due to violations relating to corruption during the Reporting Period.

8. **Community Investment**

General Disclosure

The Group promotes the social contribution of all members. We know well that only enterprises with a sense of social responsibility will bring more long-term profits to stakeholders and create values for the society. Corporate social responsibility has become an important component of the corporate culture of the Group. We encourage our employees to actively participate in community volunteer services, and call on our employees to serve and repay the society. We always fulfil our promises to contribute to the social development.

Promoting a green and sustainable lifestyle has been a tradition of the Company. We share the responsibility to build a green community with blue sky and create an ideal home with balanced environmental sustainability and urban prosperity.

IV. ESG GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Aspects, General Disclosures and KPIs	Description	Relevant pages in the ESG Report & Remark
A	Environmental Protection	P.20–24
Aspect A1 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	Types of emissions and respective emissions data.	Environmental Protection-Emissions – Exhaust Gas Emission, Environmental KPIs
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	Environmental Protection-Emissions, Environmental KPIs
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	Environmental Protection-Emissions, Environmental KPIs
KPI A1.4	Total non-hazardous waste produced and where appropriate, intensity.	Environmental Protection-Emissions – Waste Management Environmental KPIs
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Protection-Emissions-Exhaust Gas Emission, Environmental KPIs
KPI A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved.	Environmental Protection-Emissions – Waste Management
Aspect A2	Use of Resources	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental Protection-Environmental KPIs
KPI A2.2	Water consumption in total and intensity	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	Use of Resources – Use of Packaging Materials

Aspects, General Disclosures and KPIs	Description	Relevant pages in the ESG Report & Remark
Aspect A3 KPI A3.1	The Environment and Natural Resources Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	The Environment and Natural Resources No significant impacts of activities on the environment and natural resources during the Reporting Period.
B Aspect B1 General Disclosure	Society Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P.25–31 Employment and Labour Practice
Aspect B2 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training

Aspects, General Disclosures and KPIs	Description	Relevant pages in the ESG Report & Remark
Aspect B4 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labor Standards
Aspect B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6 General Disclosure	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No products sold or shipped subject to recalls for safety and health reasons.
Aspect B7 General Disclosure	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
Aspect B8 General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

EXECUTIVE DIRECTORS

Mr. Cheng Chun Tak, aged 57, is the Chairman of the Company, was graduated from Xidian University (formerly known as Xi Bei Institute of Telecommunications Engineering（西北電訊工程學院）) and obtained a Master Degree in Engineering (Computer Science) from the Institute of Microelectronics of Shanxi（陝西微電子學研究所）. Mr. Cheng has extensive experience in the sales and customer services of communication industry in which he has over 25 years of experience in sales and customer services.

Mr. Stephen William Frostick, aged 70, he obtained a Juris Doctorate at Old College School of Law, Nevada, United States in 1984, a Master of Public Administration and a Bachelor of Science in Business Administration at the University of Nevada, Las Vegas, United States in 1976 and 1974 respectively. Mr. Frostick has over 40 years of experience in leading capacities in the State Government of Nevada, United States, large corporations and international consulting organisations. Mr. Frostick is well experienced in strategic planning, operational management and organisational development and has about 40 years of senior management experience. He joined the Group in 2007.

Ms. Li Ka Ki, aged 33, who holds a Bachelor Science degree in English Business Management from Jinan University. Ms. Li has over 10 years' experience in the field of public relation.

Mr. Wong Chi Ho, aged 59, was graduated from Chu Hai College of Bachelor of Commercial Science and Business Administrative in 1980-1986. He is the founder and a director of King Tai Enterprise (Group) Development Co., Limited. Mr. Wong has over 25 years of senior management experience in the garment and textile industry. Mr. Wong joined the Group on 29 November 2019.

NON-EXECUTIVE DIRECTOR

Mr. Huang Shenglan, aged 68, holds a diploma in Arts from Huazhong Normal University, a master degree in International Economics from Huadong Normal University and a certificate in International Economic Law from Xiamen University. He also took the Advanced Management Programme from the Business School of Harvard University, USA. Mr. Huang was an Executive Director and the Deputy Governor of China Everbright Bank, Head Office. He is currently the Independent Non-executive Director of China LotSynergy Holdings Limited (stock code: 1371), which is also listed in Hong Kong Stock Exchange. Apart from the above, he did not hold any directorship in other listed companies in Hong Kong or overseas in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chi Hwa, Joshua, aged 47, is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. Mr. Lee has extensive experience in the fields of auditing, accounting and finance. Mr. Lee currently serves as an Independent Non-executive Director of Code Agriculture (Holdings) Limited (stock code: 8153) and Cornerstone Financial Holdings Limited (stock code: 8112), all of which are listed on the GEM of the Stock Exchange, and Hao Tian Development Group Limited (stock code: 474), Hao Tian International Construction Investment Group Limited (stock code: 1341) and Fujian Nuoqi Co., Ltd. (stock code: 1353), all of which are listed on Main Board of the Stock Exchange. Mr. Lee was an executive Director of Link-Asia International Co., Ltd. (Stock Code: 1143), which is also listed on Main Board of the Stock Exchange, from 2015 to 2019. Mr. Lee joined the group in 2007.

Mr. Xu Jingan, was born in 1941. He was graduated from Shanghai Fudan University with a Bachelor in Journalism in 1964. Mr. Xu previously served as the Vice Chairman of Shenzhen Stock Exchange. He has more than 30 years' experience in Finance and Economics in PRC. Mr. Xu was an Independent Director of CIMC (China International Marine Containers (Group) Ltd.), 安信基金管理 (ESSENCE FUND Co. Limited) and 深圳怡亞通供應鏈股份有限公司 (Eternal Asia Supply Chain Management Limited). He joined the Group in 2015.

Mr. Chang Jun, aged 51, is currently a partner of Messrs, Allbright Law Office-Shenzhen and has been a Chartered Lawyer of Chinese Ministry of Law since 2000. Mr. Chang received his Bachelor of Laws degree from Southwest University of Polities & Law, Chongqing and master degree in Economic & Commercial Law in People's University of China, Beijing. Mr. Chang has more than 20 years' experience in Chinese legal profession and extensive experience in legal advisory to public and multinational enterprise in PRC. He joined the Group in 2007.

SENIOR MANAGEMENT

Company Secretary and Chief Financial Officer

Mr. Chow Kin Wing, aged 38, is the Company Secretary and Chief Financial Officer of the Company, who holds a Bachelor degree in Accounting and Finance from the Queensland University of Technology, Australia. He is an associate member of Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has more than 13 years of experience in financial management, auditing and accounting in an international accounting firm and a listed company in Hong Kong.

REPORT OF DIRECTORS

The Directors of the Company ("Directors") submit herewith their annual report together with the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 43 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's operating segment information is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the state of the affairs of the Group at that date are set out in the consolidated financial statements on pages 53 to 132.

The Directors do not recommend the payment of a dividend for the year.

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2019 are set out in note 43 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 57 and note 44 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company has no reserves available for distribution to shareholders (2018: Nil) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

CONVERTIBLE BONDS

Details of movements in the convertible bonds of the Group during the year are set out in note 28 to the consolidated financial statements.

DONATION

Charitable and other donations made by the Group during the year amounted to HK$Nil (2018: HK$Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the sections headed "Management Discussion And Analysis" on pages 4 to 8 of this annual report.

The business review also includes:

(a) a discussion on the Group's environmental policies and performance; and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and

(b) an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends.

SHARE CAPITAL

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

FUND RAISING ACTIVITIES OF THE COMPANY UNDER GENERAL MANDATE

There was no fund raising activity of the Company under general mandate during the year.

REPORT OF DIRECTORS

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 133 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

–	the largest supplier	7%
–	five largest suppliers combined	24%

Sales

–	the largest customer	42%
–	five largest customers combined	60%

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Mr. Cheng Chun Tak *(Chairman)*
Mr. Stephen William Frostick
Ms. Li Ka Ki
Mr. Wong Chi Ho (Appointed on 29 November 2019)
Mr. Pan Xiaodong (Removed on 30 April 2019)
Mr. Liu Yunming (Removed on 30 April 2019)
Mr. Huang Shenglan#
Mr. Lee Chi Hwa, Joshua*
Mr. Xu Jingan*
Mr. Chang Jun*
Ms. Ching Wai Han* (Resigned on 1 April 2019)

Non-executive Director
* *Independent Non-executive Director*

Mr. Pan Xiaodong and Mr. Liu Yunming were removed as executive Directors of the Company with effect from 30 April 2019. For details, please refer to the announcements of the Company dated 1 April 2019 and 30 April 2019, and the circular dated 10 April 2019.

Ms. Ching Wai Han resigned as an Independent Non-executive Director with effective from 1 April 2019. For details, please refer to the announcement of the Company dated 1 April 2019.

One-third of the Directors shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, none of the Directors or the chief executives of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than one calendar months' notice in writing.

As at 31 December 2019, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

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

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the "Share option scheme" below, at no time during the year have rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION

The Company adopted a new share option scheme on 16 June 2017 ("the Scheme"), which became effective for a period of 10 years commencing on 16 June 2017. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 28 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adoption the Scheme.

As at 31 December 2019, no share options were outstanding.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2019, the following persons (other than the Directors and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK$0.005 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares	Total number of shares and underlying shares	Approximate percentage of issued share capital
Shiny Valour Limited *(Note 1)*	Beneficial	152,000,000	–	152,000,000	5.01%
Glory Wealth Development Holding Limited *(Note 2)*	Beneficial	797,555,072	–	797,555,072	26.31%
Tai Quan Enterprises Limited *(Note 3)*	Beneficial	–	242,424,242	242,424,242	8.00%
Extreme Rich Corporate Development Limited *(Note 4)*	Beneficial	–	242,424,242	242,424,242	8.00%

Notes:

1. Shiny Valour Limited is wholly owned by Yao Yi Yi who is deemed to be interested in the shares.

2. Glory Wealth Development Holding Limited is wholly owned by Zhang Pan who is deemed to be interested in the shares.

3. Tai Quan Enterprises Limited is wholly owned by Zhao Xin who is deemed to be interested in the shares.

4. Extreme Rich Corporate Development Limited is wholly owned by Ren Wei who is deemed to be interested in the shares.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of GEM Listing Rules.

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 36 to the consolidated financial statements.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2019 any business or interest of each Director, controlling shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

SUBSEQUENT EVENTS

On 16 January 2020, the Company has commenced legal proceedings at the High Court of the Hong Kong Special Administrative Region (Case no. HCA 88/2020) against Tai Quan Enterprises Limited, Extreme Rich Corporate Development Limited (collectively "Vendors") and Radiant Thrive Enterprises Limited ("Radiant"). The Company's principal claims are for:

– rescission of the acquisition agreement entered between the Company and the Vendors for acquiring the entire share capital of Affluent Grand Limited on 28 April 2017 ("Acquisition Agreement"), the convertible bonds instruments and promissory notes (subsequently transferred to Radiant 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;

– declaration that the Vendors are not entitled to enforce the Acquisition Agreement dated 28 April 2017, the convertible bonds Instruments and promissory notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;

- declaration that the Vendors and Radiant are not entitled to enforce the promissory notes dated 27 November 2017;
- return of HK$120,000,000 money from the Vendors; and
- damages for fraudulent misrepresentation against the Vendors

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

HLM CPA Limited retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Cheng Chun Tak
Chairman

Hong Kong, 31 March 2020

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

Rooms 1501-8, 15th Floor, Tai Yau Building,
181 Johnston Road, Wanchai, Hong Kong
香港灣仔莊士敦道181號大有大廈15樓1501-8室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: info@hlm.com.hk

TO THE MEMBERS OF CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of China Fortune Investments (Holding) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 132, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Uncertainty on going concern

Included in note 29 to the consolidated financial statements, the Company had outstanding promissory notes with principal amounts of approximately HK$155,697,000 as at 31 December 2019 and in which there are two promissory notes (the "P-Notes") with principal amounts of HK$100,000,000 will be matured on 28 November 2020. As at 31 December 2019, the outstanding principal amounts and related outstanding interest in relation the P-Notes recorded in the consolidated financial statements are HK$100,000,000 and approximately HK$13,364,000, respectively.

In addition, we draw attention to note 2 to the consolidated financial statements, which indicates that the Group reported a net loss attributable to the owners of the Company of approximately HK$129,126,000 for the year ended 31 December 2019, and as of that date, the Group and the Company had net current liabilities of approximately HK$11,171,000 and HK$133,111,000 respectively and net liabilities of approximately HK$70,544,000 and HK$91,079,000, respectively.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon whether (i) the Company will be successful in the legal claims against Tai Quan Enterprises Limited and Extreme Rich Corporate Development Limited (collectively, the "Vendors"), and Radiant Thrive Enterprises Limited ("Radiant") (details referred in note 45 to the consolidated financial statements) in the rescission of the acquisition agreement entered between the Company and the Vendors for acquiring the entire share capital of Affluent Grand Limited on 28 April 2017 ("Acquisition Agreement"), the convertible bonds instruments and P-Notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 due to fraudulent misrepresentation and for the return of HK$120,000,000 from the Vendors to the Company and cancellation of the P-Notes that the Company will not be required to repay the P-Notes at the maturity date; and (ii) the continuing financial support undertaken by Glory Wealth Development Holding Limited ("Glory Wealth"), the largest shareholder of the Company, to the Group.

Up to the date of this report, we were not provided with sufficient appropriate evidence to (i) assess the outcome of the above legal claims; and (ii) ascertain the financial ability of Glory Wealth in relation to the continuing financial support undertaken by Glory Wealth to the Group for the foreseeable future. Given the above scope limitation, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the underlying assumptions on the going concern of the Group are reasonable and supportable.

Should the Group fail to achieve the intended effects of the management's proposal as disclosed in note 2 to the consolidated financial statements, it might not be able to operate as a going concern, to settle its obligations and commitments and adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

Opening Balance and Corresponding Figures

The consolidated financial statements of the Group for the year ended 31 December 2018, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements, included a disclaimer of opinion in view of the possible effects of the de-consolidation of subsidiaries in respect of the departure from Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10"). Details of the disclaimer opinion was set out in the independent auditor's report dated 1 November 2019 which was included in the Company's annual report for the year ended 31 December 2018.

We were unable to obtain sufficient appropriate audit evidence to enable us to assess the possible effects of de-consolidation of subsidiaries for the year ended 31 December 2018. Any adjustments to the opening balances as at 1 January 2019 found to be necessary may affect the balance of accumulated losses as at 1 January 2019 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2019. The comparative figures shown in the consolidated financial statements may not be comparable with the figures for the current year.

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.

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventories Refer to note 20 to the consolidation financial statements	
We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgement by the management associated with determining the net realisable value ("NRV"). As disclosed in note 4 to the consolidated financial statements, NRV represents the latest selling prices for inventories less estimated costs to sale and costs necessary to make the sale. As disclosed in note 5 to the consolidated financial statements, the management's estimation of the NRV was primarily based on the latest selling prices and current market conditions. The management carried out the inventory review at the end of the reporting period and concluded that there was no impairment allowance required for inventories at 31 December 2019 and the carrying amount of inventories was approximately HK$89,269,000 as at 31 December 2019.	Our audit procedures in relation to assessing the appropriateness of the carrying value of the inventories included: – testing the operating effectiveness of controls associated with the existence and condition of inventories; – obtaining an understanding of how the management estimated the NRVs of inventories and evaluating the historical accuracy of the management's estimations; – discussing with management and assessing the basis of the management's estimations of subsequent selling price, costs to sale and costs necessary to make the sale; – assessing management's process for researching the current market conditions in wine and cigar, golf and watch and jewelry industries to identify any potential adverse impact on the selling price and the carrying value of the Group's inventories; and – verifying the value of a sample of inventories to confirm that the inventories were held at the lower of cost and NRV. Based on our procedures described, we found the estimations of management in relation to impairment assessment of inventories were supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill in relation to wine and golf business Refer to note 17 to the consolidation financial statements	
We identified the impairment assessment of goodwill as a key audit matter due to the significant judgements involved in the management's impairment assessment process. As disclosed in note 17 to the consolidated financial statements, the carrying amount of goodwill in relation to W&G business is approximately HK$23,584,000 as at 31 December 2019. As set out in note 5 to the consolidated financial statements, in deciding whether goodwill was impaired or not requires the determination of the recoverable amount which requires estimation of the value-in-use of the cash-generating unit ("Wine CGU") on which the goodwill was allocated. In estimating the value-in-use of the Wine CGU, key assumptions used by the management included the discount rate, budgeted sales and gross margin taking into account the Wine CGU's past performance, management's expectation of the market developments and the future three years' financial forecast approved by the management. The management of the Company determined that there was impairment loss of goodwill allocated to the Wine CGU of HK$46,500,000 recognised for the year ended 31 December 2019.	Our audit procedures in relation to management's impairment assessment of goodwill included: – understanding how the management performed the impairment assessment including the estimation of future cash flows and key assumptions used; – evaluating the appropriateness of the key assumptions used in the discounted cash flow calculation, including the discount rate, budgeted sales and gross margin through assessing the Wine CGU's past performance, management's expectation of the market developments and the future three years' financial forecast approved by the management; – assessing the reasonableness of the discount rate applied in determining the value-in-use by benchmarking against market data; and – evaluating the potential impact of value-in-use based on the reasonably possible change of the key assumptions used. We found the key assumptions made by the management in relation to the value-in-use calculations to be reasonable based on available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to note 21 to the consolidation financial statements	
As at 31 December 2019, the Group had gross trade receivables of approximately HK$39,601,000 (2018: approximately HK$129,027,000) and allowance for impairment of trade receivables of approximately HK$11,945,000 (2018: approximately HK$1,796,000). Management performed the impairment assessment of trade receivables as at 31 December 2019 based on information including, but not limited to, aging of trade receivables, past repayment history, subsequent settlement status and financial capability of the customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the magnitude of the trade receivable balances and the significant management judgements and estimates in determining the expected loss allowance of the trade receivables.	Our audit procedures in relation to the management's impairment assessment of trade receivables included: – understanding the status of each of the material receivables that was past due through discussions with the management; – checking, on a sample basis, the accuracy of the trade receivables aging analysis used by the management to estimate the appropriate provision for loss allowance; – checking, on a sample basis, the subsequent settlement of trade receivables by customers after year-end date; – evaluating management's assessment and explanations on the individually significant trade receivables that were past due as at 31 December 2019 with reference to supporting evidence such as repayment history of the customers; and – assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the allowance for expected credit losses. Based upon the above procedures, we found that management's judgements and estimates of impairment of trade receivables are supported by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit concluded in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the matters described in the Basis for Qualified Opinion section of our report above:

– we were unable to determine whether adequate accounting records had been kept; and

– we have not obtained all information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

HLM CPA Limited
Certified Public Accountants
Chan Lap Chi
Practising Certificate Number: P04084
Hong Kong, 31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Continuing operations			
Revenue	7	**62,839**	249,033
Cost of sales		**(52,280)**	(203,781)
Gross profit		**10,559**	45,252
Other income, gains and losses, net	7	**(50,800)**	(35,224)
Selling and distribution expenses		**(4,332)**	(6,763)
Administrative expenses		**(38,572)**	(34,367)
Loss from continuing operations		**(83,145)**	(31,102)
Finance costs	8	**(46,263)**	(43,645)
Loss before tax		**(129,408)**	(74,747)
Income tax credit (expense)	9	**286**	(2,898)
Loss for the year from continuing operations	10	**(129,122)**	(77,645)
Discontinued operation	11		
Profit for the period from discontinued operation		**–**	23,262
Loss on deconsolidation of subsidiaries		**–**	(288,084)
Loss for the period from discontinued operation		**–**	(264,822)
Loss for the year		**(129,122)**	(342,467)
Loss for the year attributable to:			
Owners of the Company		**(129,126)**	(342,473)
Non-controlling interests		**4**	6
		(129,122)	(342,467)
Loss per share	14		
Basic and diluted			
– For continuing and discontinued operations		**(HK4.26 cents)**	(HK11.30 cents)
– For continuing operations		**(HK4.26 cents)**	(HK2.56 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(129,122)**	(342,467)
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**–**	3,943
Release of foreign currency translation reserve upon deconsolidation of subsidiaries	**–**	(4,648)
Other comprehensive expense for the year, net of tax	**–**	(705)
Total comprehensive expense for the year	**(129,122)**	(343,172)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(129,126)**	(343,178)
Non-controlling interests	**4**	6
Total comprehensive expense for the year	**(129,122)**	(343,172)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**3,353**	5,116
Right-of-use assets	16	**3,511**	–
Deferred tax assets	30	**572**	216
Goodwill	17	**23,584**	70,084
Other intangible assets	18	**–**	–
Deposits and prepayments	22	**1,210**	1,210
		32,230	76,626
Current assets			
Inventories	20	**89,269**	131,305
Trade receivables	21	**27,656**	127,231
Financial assets at fair value through profit or loss	19	**4,080**	–
Loan and interest receivables	23	**–**	6,880
Other receivables, deposits and prepayments	22	**1,125**	23,030
Bank balances and cash	24	**9,304**	23,120
		131,434	311,566
Current liabilities			
Trade payables	25	**720**	1,212
Accruals, other payables and deposits received	26	**19,377**	6,535
Amounts due to directors	27	**2,906**	5,116
Tax payables		**814**	752
Convertible bonds	28	**–**	56,960
Promissory note payables	29	**115,984**	79,350
Lease liabilities	31	**2,804**	–
		142,605	149,925
Net current (liabilities) assets		**(11,171)**	161,641
Total assets less current liabilities		**21,059**	238,267

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Other payables	26	**–**	6,778
Convertible bonds	28	**50,924**	92,028
Promissory note payables	29	**39,713**	80,590
Lease liabilities	31	**966**	–
		91,603	179,396
Net (liabilities) assets		**(70,544)**	58,871
Capital and reserves			
Issued capital	33	**15,156**	15,156
Reserves		**(86,080)**	43,339
(Deficit) equity attributable to owners of the Company		**(70,924)**	58,495
Non-controlling interests		**380**	376
Total (deficit) equity		**(70,544)**	58,871

Cheng Chun Tak
Director

Wong Chi Ho
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium account HK$'000	Merger reserve HK$'000 (Note i)	Statutory surplus reserve HK$'000 (Note ii)	Convertible bonds equity reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 December 2018	15,156	1,995,281	(46,815)	–	54,131	–	(1,959,258)	58,495	376	58,871
Impact on initial application of HKFRS 16 *(note 3)*	–	–	–	–	–	–	(293)	(293)	–	(293)
At 1 January 2019	15,156	1,995,281	(46,815)	–	54,131	–	(1,959,551)	58,202	376	58,578
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	–	–	(129,126)	(129,126)	4	(129,122)
Elimination upon redemption of convertible bonds	–	–	–	–	(9,748)	–	9,748	–	–	–
At 31 December 2019	15,156	1,995,281	(46,815)	–	44,383	–	(2,078,929)	(70,924)	380	(70,544)
At 31 December 2017	15,156	1,995,281	(46,815)	207	49,267	705	(1,617,993)	395,808	370	396,178
Impact on initial application of HKFRS 9	–	–	–	–	–	–	(1,686)	(1,686)	–	(1,686)
At 1 January 2018	15,156	1,995,281	(46,815)	207	49,267	705	(1,619,679)	394,122	370	394,492
(Loss) profit for the year	–	–	–	–	–	–	(342,473)	(342,473)	6	(342,467)
Other comprehensive income (expense) for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	3,943	–	3,943	–	3,943
Release of foreign currency translation reserve upon deconsolidation of subsidiaries	–	–	–	–	–	(4,648)	–	(4,648)	–	(4,648)
Total comprehensive income (expense) for the year	–	–	–	–	–	(705)	(342,473)	(343,178)	6	(343,172)
De-consolidation of subsidiaries	–	–	–	(207)	–	–	207	–	–	–
Issue of convertible bonds	–	–	–	–	7,551	–	–	7,551	–	7,551
Derecognition of convertible bonds equity reserve at maturity	–	–	–	–	(2,687)	–	2,687	–	–	–
At 31 December 2018	15,156	1,995,281	(46,815)	–	54,131	–	(1,959,258)	58,495	376	58,871

Notes:

(i) The Group's merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to a reorganisation in prior years.

(ii) In accordance with the relevant PRC regulations, the subsidiaries which are established in the PRC are required to transfer 10% of their profits after tax, as determined under the PRC accounting regulations, to the statutory surplus reserve, until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus reserve may be used to offset against accumulated losses of the respective subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(129,408)**	(331,815)
Adjustments for:			
Interest income		**–**	(1,650)
Finance costs	8	**46,263**	43,645
Impairment loss on goodwill	17	**46,500**	28,542
Allowance for credit losses	21	**10,149**	110
Impairment loss on other intangible assets	18	**–**	5,925
Impairment loss on loan and interest receivables		**–**	3,570
Write-off of property, plant and equipment		**773**	–
Loss on deconsolidation of subsidiaries	37	**–**	288,084
Loss on settlement of contingent consideration payable	32	**–**	1,703
Depreciation of property, plant and equipment	15	**1,094**	3,684
Depreciation of right-of-use assets	16	**2,633**	–
Amortisation of other intangible assets	18	**–**	2,844
Reversal of allowance for doubtful debts		**(1,040)**	–
Gain on early redemption of convertible bond		**(532)**	–
Gain on disposal of property, plant and equipment		**(550)**	–
Write-off of other receivables		**2,761**	–
Write-off of trade receivables		**1,857**	–
Unrealised loss on revaluation of financial assets at fair value through profit or loss		**3,840**	–
Operating cash flows before movements in working capital		**(15,660)**	44,642
Decrease (increase) in inventories		**42,036**	(63,303)
Decrease (increase) in trade receivables		**4,831**	(28,970)
Decrease (increase) in other receivables, deposits and prepayments		**19,144**	(105,204)
(Decrease) increase in trade payables		**(492)**	339
Increase (decrease) in accruals, other payables and deposits received		**3,664**	(19,648)
Decrease in amounts due to directors		**(2,210)**	(718)
Cash generated from (used in) operations		**51,313**	(172,862)
Interest received		**–**	1,350
Overseas taxes paid		**–**	(7,754)
Hong Kong Profits Tax paid		**(8)**	(4,626)
Net cash flows from (used in) operating activities		**51,305**	(183,892)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Net cash outflow from deconsolidation of subsidiaries	11 & 37	**–**	(9,877)
Purchase of property, plant and equipment	15	**(104)**	(3,304)
Proceeds from disposal of property, plant and equipment		**550**	–
Net cash flows from (used in) investing activities		**446**	(13,181)
FINANCING ACTIVITIES			
Interest paid		**(17,896)**	–
Proceeds from issue of promissory note payables	29	**–**	79,350
Repayment of promissory note payables		**(44,743)**	–
Redemption of convertible bonds		**–**	(79,350)
Repayment of bank borrowings		**–**	(604)
Repayment of lease liabilities		**(2,928)**	–
Net cash flows used in financing activities		**(65,567)**	(604)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(13,816)**	(197,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**23,120**	226,150
Effect of foreign exchange rate changes, net		**–**	(5,353)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**9,304**	23,120

1. GENERAL

China Forture Investments (Holding) Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 13 October 1999 under the Companies Law of the Cayman Islands and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited ("Stock Exchange").

The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Shops 212-213, 2nd Floor, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 43 to the consolidated financial statements.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Going concern

The Group incurred a net loss attributable to owners of the Company of approximately HK$129,126,000 for the year ended 31 December 2019 and, as of that date, the Group and the Company had net current liabilities of approximately HK$11,171,000 and HK$133,111,000, respectively and net liabilities of approximately HK$70,544,000 and HK$91,079,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to ensure the Group's ability to operate as a going concern, the directors of the Company have implemented measures as follow:

(i) The Company has commenced legal proceedings and the directors of the Company considered the Company will be successful in the legal claims against Tai Quan Enterprises Limited and Extreme Rich Corporate Development Limited (collectively, the "Vendors") and Radiant Thrive Enterprises Limited ("Radiant") in the rescission of the acquisition agreement entered between the Company and the Vendors for acquiring the entire share capital of Affluent Grand Limited on 28 April 2017 ("Acquisition Agreement"), the convertible bonds instruments and promissory notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 due to fraudulent misrepresentation and for the return of HK$120,000,000 from the Vendors to the Company and cancellation of the promissory notes that the Company will not be required to repay the promissory notes at the maturity date;

(ii) On 30 March 2020, Glory Wealth Development Holding Limited ("Glory Wealth"), the largest shareholder of the Company has also undertaken to provide continuing financial support to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due, so that the Group can continue as a going concern for the thirteen months from 30 March 2020; and

(iii) The directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Going concern (continued)

The directors have carried out a detailed review of the cash flow forecast of the Group for the coverage period to 31 March 2021, taking into account the impact of above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this report, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

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

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

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the above amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases *(continued)*

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and disclosed as "right-of-use assets".

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application on 1 January 2019.

As at 1 January 2019, the Group recognised lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application be applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

- applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases *(continued)*

As a lessee (continued)

(1) Measurement of lease liabilities

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5% p.a.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	9,280
Less: commitments relating to leases exempt from capitalisation	
– Cancellation of lease during year ended 31 December 2019	(2,347)
– Change in allocation basis between lease and non-lease components	(100)
	6,833
Less: future interest expense	(396)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and lease liabilities as at 1 January 2019	6,437
Analysed as	
Current	2,667
Non-current	3,770

(2) Measurement of right-of-use assets

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018. The carrying amount of right-of-use assets for own use relating to operating leases recognised upon application of HKFRS 16 is approximately HK$6,144,000.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases *(continued)*

As a lessee (continued)

(2) Measurement of right-of-use assets (continued)

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 January 2019.

	Accumulated losses
	HK$'000
Closing balance at 31 December 2018	1,959,258
Impact of adopting HKFRS 16	293
Opening balance at 1 January 2019	1,959,551

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptial Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

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

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

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic of consolidation (continued)

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

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

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

Loss of control of subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Investments in subsidiaries

Investment in subsidiaries presented in the statement of financial position of the Company included in note 44 to the consolidated financial statements are stated at cost less any identified impairment loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

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

Refund liabilities

The Group recognised a refund liability if the Group expects to refund some or all of the consideration received from customers.

Leasing

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

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

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 3) *(continued)*

Right-of-use assets *(continued)*

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 3) *(continued)*

Lease liabilities (continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as a lessee (prior to 1 January 2019)

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

– exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

On the disposal of a foreign operation, (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit before tax as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment including building are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Leasehold improvements	33% to 50%
Furniture, fixture and equipment	20%
Computer equipment	33%
Motor vehicles	10% to 33%

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

Intangible assets

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of property, plant and equipment and right-of-use assets other than goodwill below).

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Provisions

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

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposit, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the parent of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

(v) the entity has a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the Group (or of a parent of the Group); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

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

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

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2019. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Interest income which are derived from the Group's ordinary course of business are presented as other income.

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, financial assets included in other receivables, deposits and prepayments and bank balances and cash), which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognise lifetime ECL for trade receivables. Except for those debtors with credit-impaired are assessed individually, the ECL on trade receivables are assessed collectively using a provision matrix with appropriate groupings.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

- Nature of financial instruments; and

- Past-due status.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Decognition of financial assets

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Convertible bonds

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

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Convertible bonds (continued)

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

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

Other financial liabilities

Other financial liabilities (including trade payables, financial liabilities included in accruals, other payables and deposits received, amounts due to directors, lease liabilities and promissory note payables) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

5. CRITICAL ACCOUNT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4 to the consolidated financial statements, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

The Group determined whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2019 was approximately HK$23,584,000 (2018: approximately HK$70,084,000). Further details are given in note 17 to the consolidated financial statements.

Allowance for expected credit losses

The management of the Group estimates the amount of lifetime expected credit losses of trade debtors individually, after considering the financial background, creditability, aging and likelihood of collection with reference to repayment history and/or past due status of respective receivables. Estimated loss rates are based on historical observed default rates over the expected lives of the receivables and are adjusted for forward-looking information. The provision of expected credit losses is sensitive to changes in estimates. The information about the Group's trade receivables are disclosed in note 21 to the consolidated financial statements. As at 31 December 2019, the carrying amount of trade receivables was approximately HK$27,656,000 (2018: HK$127,231,000) (net of allowance for expected credit losses of approximately HK$11,945,000 (2018: approximately HK$1,796,000)).

5. CRITICAL ACCOUNT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Net realisation value of inventories

Net realisation value of inventories is based on estimated selling prices less any estimation costs necessary to make the sale. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group will reassess the estimation at the end of each reporting period.

6. OPERATING SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the executive directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on profit (loss), which is a measure of adjusted (loss) profit before tax. Segment performance is evaluated based on reportable segments.

The Group's operating and reportable segments include (i) sales of wine and cigar; (ii) sales of golf products, (iii) sales of watch and jewellery; (iv) provision of money lending service and (v) others.

(a) Segment revenue and results

For the year ended 31 December 2019

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

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Watch and jewellery *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE						
External sales	36,560	13,539	12,726	–	14	62,839
Inter-segment sales*	–	–	–	–	–	–
Segment revenue	36,560	13,539	12,726	–	14	62,839
RESULTS						
Segment loss	(4,822)	(660)	(5,628)	(2,816)	(3,048)	(16,974)
Finance costs						(46,263)
Unallocated corporate income						550
Unallocated corporate expenses						(20,753)
Gain on early redemption of convertible bonds						532
Impairment loss on goodwill						(46,500)
Loss before tax from continuing operations						(129,408)

6. OPERATING SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

For the year ended 31 December 2018

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Watch and jewellery *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE						
External sales	46,828	27,063	171,031	1,650	2,461	249,033
Inter-segment sales	–	–	–	–	–	–
Segment revenue	46,828	27,063	171,031	1,650	2,461	249,033
RESULTS						
Segment profit (loss)	8,134	1,866	16,031	(1,933)	390	24,488
Finance costs						(43,645)
Unallocated corporate income						602
Unallocated corporate expenses						(20,022)
Loss on settlement of contingent consideration payable						(1,703)
Impairment loss on other intangible asset						(5,925)
Impairment loss on goodwill						(28,542)
Loss before tax from continuing operations						(74,747)

6. OPERATING SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

As at 31 December 2019

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

Segment assets

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
ASSETS							
Segment assets	48,025	11,016	4,080	68,373	59	(1,943)	129,610
Bank balances and cash							9,304
Unallocated corporate assets							24,750
Consolidated assets							163,664

Segment liabilities

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
LIABILITIES							
Segment liabilities	2,261	3,929	250	2,535	51	(1,943)	7,083
Unallocated corporate liabilities							227,125
Consolidated liabilities							234,208

6. OPERATING SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities (continued)

As at 31 December 2018

Segment assets

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Total *HK$'000*
ASSETS						
Segment assets	79,700	23,942	6,880	184,309	2,161	296,992
Bank balances and cash						23,120
Unallocated corporate assets						68,080
Consolidated assets						388,192

Segment liabilities

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Total *HK$'000*
LIABILITIES						
Segment liabilities	1,296	2,605	372	2,642	95	7,010
Unallocated corporate liabilities						322,311
Consolidated liabilities						329,321

6. OPERATING SEGMENT INFORMATION (continued)

(c) Other segment information

For the year ended 31 December 2019

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Addition to non-current assets	**52**	**52**	**–**	**–**	**–**	**–**	**104**
Depreciation of property, plant and equipment	**297**	**241**	**–**	**304**	**5**	**247**	**1,094**
Depreciation of right-of-use assets	**728**	**1,905**	**–**	**–**	**–**	**–**	**2,633**

For the year ended 31 December 2018

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Addition to non-current assets	157	89	–	3,019	11	28	3,304
Amortisation of other intangible assets	–	–	–	–	–	2,844	2,844
Depreciation of property, plant and equipment	286	250	–	303	4	454	1,297

(d) Geographical information

All of the Group's operations are located in Hong Kong.

(e) Information about major customers

Revenues from continuing operations from the Group's largest customer represented 42% (2018: Nil) of the Group's total turnover. No other single customer contribute 10% or more to the Group's turnover.

7. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET

An analysis of the Group's revenue, other income, gains and losses, net for the year from continuing operations is as follows:

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Revenue recognised at point in time		
Sale of goods	**62,825**	244,922
Travel agency service income	**14**	2,461
Revenue recognised overtime		
Interest income from loan receivables	**–**	1,650
	62,839	249,033
Other income, gains and losses, net		
Sundry income	**157**	86
Net exchange gains	**22**	–
Gain on disposal of property, plant and equipment	**550**	–
Gain on early redemption of convertible bond	**532**	–
Write off of other receivables	**(2,761)**	–
Impairment loss on goodwill	**(46,500)**	(28,542)
Reversal of allowance for doubtful debts	**1,040**	–
Unrealised loss on revaluation of financial assets at FVTPL	**(3,840)**	–
Loss on settlement of contingent consideration payable	**–**	(1,703)
Impairment loss on other intangible assets	**–**	(5,925)
Other financing service income	**–**	258
Waiver of accrued salaries	**–**	602
	(50,800)	(35,224)

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on:		
– convertible bonds *(note 28)*	**16,126**	25,309
– promissory note payables *(note 29)*	**29,876**	18,336
– lease liabilities	**261**	–
	46,263	43,645

9. INCOME TAX (CREDIT) EXPENSE

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

	2019 ***HK$'000***	2018 *HK$'000*
Continuing operations:		
Current tax:		
Hong Kong Profits Tax	**70**	4,034
Deferred taxation *(note 30)*	**(356)**	(1,136)
	(286)	2,898

Tax (credit) charge for the year can be reconciled to the loss before tax from continuing operations per the consolidated statement of profit or loss as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Loss before tax from continuing operations	**(129,408)**	(74,747)
Tax at the applicable statutory income tax rates	**(21,352)**	(12,333)
Income not subject to tax	**(256)**	–
Expenses not deductible for tax	**20,859**	15,351
Tax effect of deductible temporary difference not recognised	**(6)**	–
Tax effect of tax loss not recognised	**579**	–
Tax concession	**(110)**	(120)
Tax (credit) charge for the year	**(286)**	2,898

10. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations has been arrived at after charging (crediting) the following items:

	2019	2018
	HK$'000	*HK$'000*
Employee benefit expenses (excluding directors' and chief executive's remuneration – note 12):		
Wages and salaries	**9,203**	12,308
Retirement benefits scheme contributions	**371**	514
	9,574	12,822
Cost of inventories sold	**52,280**	203,781
Auditors' remuneration		
– audit services	**1,100**	950
– non-audit services	**100**	100
Depreciation of property, plant and equipment	**1,094**	1,297
Depreciation of right-of-use assets	**2,633**	–
Amortisation of other intangible assets	**–**	2,844
Gain on early redemption of convertible bonds	**(532)**	–
Gain on disposal of property, plant and equipment	**(550)**	–
Write off of property, plant and equipment	**773**	–
Loss on settlement of contingent consideration payable	**–**	1,703
Impairment loss on other intangible assets	**–**	5,925
Impairment loss on goodwill	**46,500**	28,542
Allowance for credit losses	**10,149**	110
Allowance for doubtful debts	**–**	3,570
Reversal of allowance for doubtful debts	**(1,040)**	–
Write off of trade receivables	**1,857**	–
Write off of other receivables	**2,761**	–

11. DISCONTINUED OPERATION

P2P loan facilities services

For the year ended 31 December 2018, the Company regarded that it has lost control over OPCO on 1 September 2018 and assets and liabilities of the OPCO were deconsolidated from the Group's consolidated financial statements. Accordingly, the Group discontinued its operation in P2P loan facilitation services as one of its principal business activities.

Details of the assets and liabilities being deconsolidated, and the calculation of the loss on such deconsolidation are disclosed in note 37.

The results of OPCO and loss for the period from discontinued operations from 1 January 2018 to 31 August 2018, the date of loss of control are presented as below.

	2018 *HK$'000*
Revenue	44,090
Cost of services	(4,107)
Gross profit	39,983
Other income, gains and losses	125
Selling and distribution expenses	(2,818)
Administrative expenses	(6,107)
Finance costs	(167)
Profit before tax	31,016
Income tax expense	(7,754)
Profit for the period	23,262
Loss on deconsolidation of subsidiaries *(note 37)*	(288,084)
Loss for the period from discontinued operation	(264,822)

11. DISCONTINUED OPERATION (continued)

P2P loan facilities services (continued)

Loss for the year from discontinued operation includes the followings:

	2018 *HK$'000*
Cost of service	4,107
Depreciation of property, plant and equipment	2,387
Employee benefit expenses:	
Wages and salaries	4,004
Retirement benefits scheme contribution	492
	4,496
Lease payments under operating leases in respect of land and buildings	21

Net cash outflow arising from deconsolidation

	2018 *HK$'000*
Net cash outflow from operating activities	(3,920)
Net cash outflow used in financing activities	(604)
Effect of foreign exchange rate changes	(5,353)
Net cash outflow used in discontinued operation	(9,877)

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS

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

(a) Directors' and chief executive's emoluments

		Other emoluments		
	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2019				
Executive directors:				
Pan Xiaodong *(note a)*	600	–	–	600
Cheng Chun Tak	813	–	–	813
Stephen William Frostick	420	–	–	420
Li Ka Ki	120	510	18	648
Liu Yunming *(note a)*	120	–	–	120
Wong Chi Ho *(note b)*	32	–	–	32
Non-executive director:				
Huang Shenglan	120	–	–	120
Independent non-executive directors:				
Chang Jun	60	–	–	60
Lee Chi Hwa Joshua	60	–	–	60
Ching Wai Han *(note c)*	15	–	–	15
Xu Jingan	60	–	–	60
	2,420	510	18	2,948
Senior management:				
Cheung Ho Man Allan *(note d)*	–	320	5	325
	2,420	830	23	3,273

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (continued)

(a) Directors' and chief executive's emoluments (continued)

		Other emoluments		
	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2018				
Executive directors:				
Pan Xiaodong *(note a)*	1,800	–	–	1,800
Cheng Chun Tak	840	–	–	840
Stephen William Frostick	140	–	–	140
Li Ka Ki	120	470	18	608
Liu Yunming *(note a)*	360	–	–	360
Non-executive director:				
Huang Shenglan	120	–	–	120
Independent non-executive directors:				
Chang Jun	60	–	–	60
Lee Chi Hwa Joshua	60	–	–	60
Ching Wai Han *(note c)*	60	–	–	60
Xu Jingan	60	–	–	60
	3,620	470	18	4,108
Senior management:				
Cheung Ho Man Allan *(note d)*	–	688	14	702
	3,620	1,158	32	4,810

Note:

(a) Removed on 30 April 2019.

(b) Appointed on 29 November 2019.

(c) Resigned on 1 April 2019.

(d) Appointed on 13 April 2018 and removed on 29 March 2019.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (continued)

(a) Directors' and chief executive's emoluments (continued)

The emolument for one (2018: one) executive director shown above was mainly for her services in connection with the management of the affairs of the Company and the Group.

The emoluments for the executive directors (except for above one executive director), non-executive directors and independent non-executive directors shown above were mainly for their services as directors of the Company.

There was no other arrangement under which a director or a chief executive had waived or agreed to waive any remuneration during the year.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2018: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2018: Nil). There are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities (2018: Nil).

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2018: Nil).

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (continued)

(b) Employees' remunerations

The five highest paid individuals of the Group for the year ended 31 December 2019 included three directors (2018: three directors and one chief executive) of the Company, whose remunerations are disclosed above. The remaining two (2018: one) is employee of the Group, details of whose remuneration is as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,376**	807
Retirement benefits scheme contribution	**36**	18
	1,412	825

The number of the highest paid employees who are neither a director nor chief executive of the Company whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2019	2018
Nil to HK$500,000	**1**	–
HK$500,001 to HK$1,000,000	**1**	1

During the year, no emoluments were paid by the Group to any of the directors of the Company or chief executive of the Group or the highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

14. LOSS PER SHARE

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

	2019 *HK$'000*	2018 *HK$'000*
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(129,126)**	(342,473)
Less: Loss for the period from discontinued operation	**–**	(264,822)
Loss for the purpose of basic loss per share from continuing operations	**(129,126)**	(77,651)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,031,101,766**	3,031,101,766

For the year ended 31 December 2018, basic and diluted loss per share for the discontinued operation is HK8.74 cents per share, based on the loss for the period from the discontinued operation of approximately HK$264,822,000 and the denominators detailed above for both basic and diluted loss per share.

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares attributable to convertible bonds. The calculation of diluted loss per share in the both year does not assume the conversion of convertible bonds since they are anti-dilutive for the years ended 31 December 2019 and 2018. Accordingly, the diluted loss per share is the same as the basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2018	41,542	2,906	963	1,022	5,418	51,851
Additions	–	–	3,087	217	–	3,304
Deconsolidation of subsidiaries *(note 37)*	(41,542)	(133)	(169)	(30)	(486)	(42,360)
At 31 December 2018 and at 1 January 2019	–	2,773	3,881	1,209	4,932	12,795
Additions	–	104	–	–	–	104
Disposals	–	–	–	–	(3,480)	(3,480)
Write off	–	(1,527)	(429)	–	–	(1,956)
At 31 December 2019	–	1,350	3,452	1,209	1,452	7,463
Accumulated depreciation and impairment						
At 1 January 2018	95	820	451	764	4,342	6,472
Charge for the year	2,047	702	405	305	225	3,684
Deconsolidation of subsidiaries *(note 37)*	(2,142)	(124)	(169)	(30)	(12)	(2,477)
At 31 December 2018 and at 1 January 2019	–	1,398	687	1,039	4,555	7,679
Charge for the year	–	449	415	97	133	1,094
Eliminated upon disposals	–	–	–	–	(3,480)	(3,480)
Write off	–	(836)	(347)	–	–	(1,183)
At 31 December 2019	–	1,011	755	1,136	1,208	4,110
Carrying amounts						
At 31 December 2019	–	339	2,697	73	244	3,353
At 31 December 2018	–	1,375	3,194	170	377	5,116

16. RIGHT-OF-USE ASSETS

	Leased properties
	HK$'000
At 1 January 2019	6,144
Depreciation charge	(2,633)
At 31 December 2019	3,511
Expense relating to short-term leases with lease terms end	
– Within 12 months of the date of initial application of HKFRS 16	2,476
Total cash outflow for lease	5,404

For both years, the Group leases shops and warehouse for its operations. Lease contracts are entered into for fixed term of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. GOODWILL

	2019	2018
	HK$'000	*HK$'000*
COST		
At 1 January	**98,626**	260,587
Deconsolidation of subsidiaries *(note 37)*	**–**	(161,961)
At 31 December	**98,626**	98,626
IMPAIRMENT		
At 1 January	**28,542**	–
Impairment loss recognised during the year	**46,500**	28,542
At 31 December	**75,042**	28,542
CARRYING AMOUNTS		
At 31 December	**23,584**	70,084

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to country of operation and operating segments as follow:

	2019	2018
	HK$'000	*HK$'000*
Wine and cigar and golf products – Hong Kong ("Wine CGU")	**23,584**	70,084

17. GOODWILL (continued)

Impairment test for cash-generating units containing goodwill (continued)

The directors of the Company have reviewed the carrying amounts of goodwill in accordance with HKAS 36 as follows:

As at 31 December 2019, the recoverable amount of Wine CGU was assessed with reference to a valuation report by using a value-in-use calculation from Peak Vision Appraisals Limited, an independent valuation firm. These calculations use discounted cash flow projection based on financial forecasts approved by management covering a three-year period. Cash flows beyond the three-year period uses estimated growth rate of 3% (2018: 3%). The cash flows are discounted using a discount rate of 14.29% (2018: 13.1%).

Due to continue unstable economic environment in the Hong Kong and PRC, keen competition of the market and drop in demand for wine, cigar and golf products from both Hong Kong and PRC customers, the Group expected the sales orders would be decreased in next three years and revised the three-year period projection after taking into account the current operating environment and market condition. The key assumptions used in calculating the recoverable amount of Wine CGU were forecasted revenue, forecasted gross margin and discount rate. Management determined forecasted revenue and forecasted gross margin based on past performance, current economic environment and its expectations of the market development. The discount rate used was pre-tax and reflected specific risks relating to the business.

As at 31 December 2019, the net carrying amount of goodwill allocated to Wine CGU was reduced to its recoverable amount of approximately HK$23,584,000 (2018: HK$70,084,000).

18. OTHER INTANGIBLE ASSETS

	Customer Relationship *HK$'000*	Brand name *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2018	14,220	41,047	55,267
Deconsolidation of subsidiaries *(note 37)*	–	(41,047)	(41,047)
At 31 December 2018, 1 January 2019 and 31 December 2019	14,220	–	14,220
Impairment			
At 1 January 2018	5,451	–	5,451
Amortised for the year	2,844	–	2,844
Impairment loss recognised during the year	5,925	–	5,925
At 31 December 2018, 1 January 2019 and 31 December 2019	14,220	–	14,220
Carrying amounts			
At 31 December 2019	–	–	–
At 31 December 2018	–	–	–

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**4,080**	–

The fair value of equity securities are based on quoted closing price in an active market.

20. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Wine and golf instrument products	**40,791**	70,951
Watches and jewellery	**48,478**	60,354
	89,269	131,305

At 31 December 2019, no inventories have been pledged. At 31 December 2018, the carrying amount of inventories of approximately HK$120,455,000 have been secured for promissory notes with carrying amount of HK$79,350,000 as at 31 December 2018.

21. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	39,601	129,027
Less: Allowance for credit losses	(11,945)	(1,796)
	27,656	127,231

As at 31 December 2019, trade receivables from contracts with customers (net of allowance for credit losses amounted to approximately HK$27,656,000 (2018: approximately HK$127,231,000).

Ageing analysis of the Group's trade receivables net of allowance for credit loss as at the end of the reporting period, based on the invoice date is as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	4,724	58,486
31 to 60 days	26	5,392
61 to 90 days	17	896
91 to 180 days	38	23,329
181 to 360 days	119	38,630
Over 360 days	22,732	498
	27,656	127,231

The Group normally grants a credit period of 30 to 180 days to its customers.

Before accepting new customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customers on individual basis. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Recoverability and credit limit of the existing customers and overdue balances are reviewed by the senior management of the Group on regular basis. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or credit enhancements over its trade receivable balances.

As at 31 December 2019, included in trade receivables were an aggregate amount of approximately HK$22,908,000 (2018: approximately HK$39,144,000) which were past due and regarded as having low default risk by the management of the Company based on regular repayment history in the ECL assessment.

On 30 October 2019, the former convertible bond holder (the "former CB holder") has signed a guarantee document to the Company pursuant to which the former CB Holder unconditionally and irrevocably guaranteed to the Company the due and punctual payment and discharge of trade receivables amounting to approximately HK$24,171,000 due by the certain trade debtors in accordance with agreed repayment schedule.

21. TRADE RECEIVABLES (continued)

Ageing of trade receivables which are past due but not impaired is as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	**31**	33,902
31 to 60 days	**–**	2,086
61 to 90 days	**18**	1,548
91 to 180 days	**114**	1,061
181 to 360 days	**20,223**	547
Over 360 days	**2,522**	–
	22,908	39,144

The movements in allowance for expected credit losses during the years are set out below:

	2019 HK$'000	2018 HK$'000
Balance at beginning of the year	**1,796**	–
Impact on initial application of HKFRS 9	**–**	1,686
	1,796	1,686
Increase in allowance recognised in profit or loss	**10,149**	110
Balance at end of the year	**11,945**	1,796

Included in the allowance for expected credit losses are individually impaired trade debtors with an aggregate balance of approximately HK$11,945,000 (2018: approximately HK$1,796,000). For overdue debts, the Group assessed the customers for potential impairment losses based on the past default experience, payment history of the customers and subsequent settlement.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Other receivables	**218**	11,592
Rental and other deposits	**1,277**	2,358
Purchase deposits *(note)*	**18**	9,710
Other prepayments	**822**	580
	2,335	24,240

Note:

The purchase orders had been cancelled and all the deposits had been refunded by cash during the year 2019.

	2019	2018
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current assets	**1,125**	23,030
Non-current assets	**1,210**	1,210
	2,335	24,240

Movements in the allowance for doubtful debts as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**–**	993
Deconsolidation of subsidiaries	**–**	(993)
At 31 December	**–**	–

23. LOAN AND INTEREST RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Loan receivable	**–**	10,000
Interest receivable	**–**	450
	–	10,450
Impairment loss recognised	**–**	(3,570)
	–	6,880

The amounts represent loan to an independent third party at a fixed interest rate of 18% per annum with a period of one year and matured on 1 December 2018 and was fully secured by listed equity securities in Hong Kong ("the Collateral"). During the year ended 31 December 2019, the loan and interest receivables were in default and recovered by the Collateral and which has been transferred to the Group with market value of HK$7,920,000 on 18 February 2019 and recognised as the Group's financial assets at FVTPL.

24. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with banks with good credit rating and with no recent history of default.

Included in bank balances and cash in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the Group.

	2019	2018
	HK$'000	*HK$'000*
USD	**45**	44
RMB	**379**	12
JPY	**–**	22
NTD	**9**	3

25. TRADE PAYABLES

The average credit period on purchase of goods is 30 to 60 days. The following is an ageing analysis of trade payables based on the invoice date.

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**437**	862
31 to 60 days	**109**	240
61 to 90 days	**105**	–
91 to 180 days	**52**	110
Over 180 days	**17**	–
	720	1,212

26. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2019	2018
	HK$'000	*HK$'000*
Contract liabilities in relation to sale of goods	**1,077**	1,251
Interest payable on promissory notes	**13,154**	10,754
Other payables and accruals	**5,146**	1,308
	19,377	13,313
Portion classified as non-current liabilities	**–**	(6,778)
	19,377	6,535

27. AMOUNTS DUE TO DIRECTORS

Amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

28. CONVERTIBLE BONDS

On 22 January 2014, the Group issued convertible bonds with an aggregate principal amount of HK$312,000,000 due in 2019 with conversion price of HK$2.45 per share (adjusted) (the "CB I") to settle the Group's contingent consideration payable. The CB I does not bear any interest. The effective interest rate of the liability component is 7.92% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB I. As at 31 December 2019, the CB I with an aggregate principal amount of HK$54,600,000 were fully redeemed.

On 4 September 2017, the Group issued convertible bonds with an aggregate principal amount of HK$69,000,000 due in 2018 with conversion price of HK$0.133 per share (the "CB II"). The Company intended to use up all HK$69,000,000 for repayment of matured convertible bonds. The CB II does not bear any interest. The effective interest rate of the liability component is 19.66% per annum. The maturity date is one year from the date of issue of the CB II. As at 31 December 2018, the CB II with an aggregate principal amount of HK$69,000,000 were fully redeemed.

On 28 November 2017, the Group issued convertible bonds with an aggregate principal amount of HK$80,000,000 due in 2022 with conversion price of HK$0.165 per share (the "CB III") as part of the consideration for acquisition for Affluent Grand Limited. The CB III does not bear any interest. The effective interest rate of the liability component is 18.72% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB III. As at 31 December 2019, the CB III with an aggregate principal amount of HK$80,000,000 remained outstanding (2018: HK$80,000,000).

On 23 April 2018, the Group issued convertible bonds with an aggregate principal amount of HK$100,000,000 due in 2023 with conversion price of HK$0.42 per share (the "CB IV") to settle the Group's contingent consideration payable. The CB IV do not bear any interest. The effective interest rate of the liability component is 19.14% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB IV.

On 30 October 2019, the Company and the holder of CB IV ("CB Holder"), entered into a deed of novation pursuant to which the CB Holder agreed to repay the Group's outstanding trade receivables amounting to approximately HK$56,328,000 on behalf of the Group's trade debtors by way of set-off against the CB IV. The CB Holder agreed to accept the sum of approximately HK$56,328,000 in full as final settlement of the outstanding of CB IV. As at 31 December 2019, the Company has confirmed the trade receivables amounting to approximately HK$56,328,000 have been fully settled and the CB Holder confirmed that the amount of CB IV has been fully settled and discharged.

28. CONVERTIBLE BONDS (continued)

The various components of the Group's convertible bonds recognised on initial recognition are as follows:

	CB I	CB II	CB III	CB IV
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Proceeds of issue, at face value	236,376	69,000	80,000	51,267
Equity component	(12,554)	(2,687)	(44,383)	(7,551)
Liability component at date of issue	223,822	66,313	35,617	43,716

The movements of the liability component of the Group's convertible bonds are as follows:

	CB I	CB II	CB III	CB IV	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	52,782	70,401	36,130	–	159,313
Issued during the year	–	–	–	43,716	43,716
Interest charged during the year *(note 8)*	4,178	8,949	6,764	5,418	25,309
Redeemed during the year	–	(79,350)	–	–	(79,350)
At 31 December 2018 and 1 January 2019	56,960	–	42,894	49,134	148,988
Interest charged during the year *(note 8)*	370	–	8,030	7,726	16,126
Redeemed during the year	(57,330)	–	–	(56,860)	(114,190)
At 31 December 2019	–	–	50,924	–	50,924
Classified as current liabilities	–	–	–	–	–
Non-current liabilities	–	–	50,924	–	50,924
At 31 December 2018	56,960	–	42,894	49,134	148,988
Classified as current liabilities	(56,960)	–	–	–	(56,960)
Non-current liabilities	–	–	42,894	49,134	92,028

29. PROMISSORY NOTE PAYABLES

	Total
	HK$'000
At 1 January 2018	72,449
Issued during the year, at fair value	79,350
Effective interest charge *(note 8)*	18,336
Interest payable/paid	(10,195)
At 31 December 2018 and 1 January 2019	159,940
Issued during the year, at fair value	57,330
Repaid during the year	(71,153)
Effective interest charge *(note 8)*	29,876
Interest payable/paid	(20,296)
At 31 December 2019	155,697

	2019	2018
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Current liabilities	**115,984**	79,350
Non-current liabilities	**39,713**	80,590
	155,697	159,940

On 30 August 2019, the Company issued a promissory note with principal amount of HK$57,330,000 with interest at 10% p.a. and which has been fully settled by way of cash of HK$32,000,000 and the Group's trade receivables of approximately HK$26,410,000 during the year ended 31 December 2019.

On 13 November 2019, the Company and two holders of promissory notes with aggregate principal amount of approximately HK$65,526,000 as at 31 December 2019 entered into supplementary agreements, pursuant to which the parties agreed that the promissory notes would be repaid by installments and the maturity date of last installment of the two promissory notes to be extended from 4 June 2019 to 1 August 2022.

30. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset where there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019	2018
	HK$'000	*HK$'000*
Deferred tax assets	**572**	216
Deferred tax liabilities	**–**	–
	572	216

The movements in deferred tax assets (liabilities) of the Group during the year were as follows:

	Brand name	**Customer relationship**	**Allowance for doubtful debts**	**Accelerated tax depreciation**	**Tax losses**	**Unrealised profit arising from internal transactions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	(10,262)	(1,447)	249	32	322	163	(10,943)
Deconsolidation of subsidiaries *(note 37)*	10,262	–	(239)	–	–	–	10,023
Credit (charge) to profit or loss *(note 9)*	–	1,447	(10)	(273)	(12)	(16)	1,136
At 31 December 2018 and 1 January 2019	–	–	–	(241)	310	147	216
Credit to profit or loss (note 9)	–	–	–	55	300	1	356
At 31 December 2019	–	–	–	(186)	610	148	572

As at 31 December 2019, the Group has unused tax losses of approximately HK$43,580,000 (2018: approximately HK$38,250,000) available for offset against future profits.

31. LEASE LIABILITIES

	2019
	HK$'000
Within one year	**2,804**
Within a period of more than one year but not exceeding two years	**966**
	3,770
Less: Amount due for settlement within 12 months shown under current liabilities	**(2,804)**
Amount due for settlement after 12 months shown under non-current liabilities	**966**

32. CONTINGENT CONSIDERATION PAYABLES

The balance represents the contingent consideration payables in relation to the acquisition of Maxpark Group and Affluent Group from independent third parties.

	Maxpark Group	**Affluent Group**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Contingent consideration payable, at fair value:			
At 1 January 2018	49,564	42,775	92,339
Fair value of convertible bonds at the date of settlement	(51,267)	–	(51,267)
Deconsolidation of subsidiaries *(note 37)*	–	(42,775)	(42,775)
Loss on settlement of contingent consideration payable	1,703	–	1,703
At 31 December 2018, 1 January 2019 and 31 December 2019	–	–	–

33. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2018: 100,000,000,000) ordinary shares of HK$0.005 (2018: HK$0.005) each	**500,000**	500,000
Issued and fully paid:		
3,031,101,766 (2018: 3,031,101,766) ordinary shares of HK$0.005 (2018: HK$0.005) each	**15,156**	15,156

	Number of shares in issue	**Issued capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 January 2018, 1 January 2019 and 31 December 2019	3,031,101,766	15,156	1,995,281	2,010,437

All the new shares issued rank *pari passu* with the existing ordinary shares of the Company in all respects.

34. SHARE OPTION SCHEME

The Company adopted a new share option scheme on 16 June 2017 ("the Scheme"), which became effective for a period of 10 years commencing on 16 June 2017. Under the Scheme, the Directors of the Company may, at their discretion, grant options to any eligible person to subscribe for the shares of the Company ("Share") at the highest of: (i) the closing price of the Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 28 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

34. SHARE OPTION SCHEME (continued)

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adopting the Scheme.

During the years ended 31 December 2019 and 2018, no share option was granted under the Scheme and no share option was lapsed or cancelled. As at 31 December 2019 and 2018, no share options were outstanding.

35. OPERATING LEASE ARRANGEMENTS

The Group leased certain properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At 31 December 2018, the Group had commitments for minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 *HK$'000*
Within one year	5,339
In the second to fifth years, inclusive	3,941
	9,280

36. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties:

The Group's balances due to directors of the Company as at the end of the reporting period are unsecured, interest-free and have no fixed term of repayment.

(b) Compensation of key management personnel of the Group:

	2019 ***HK$'000***	2018 *HK$'000*
Fees, salaries and allowances	**3,250**	4,778
Retirement benefits scheme contribution	**23**	32
	3,273	4,810

37. DECONSOLIDATION OF SUBSIDIARIES

In year 2018, due to the obstructions faced by the Company in exercising control over, and gathering information and documents from, the Deconsolidated subsidiaries, the Company regard that it has lost control over the Deconsolidated subsidiaries. Under these circumstances, the directors have not been able to obtain complete documentary information to satisfy themselves regarding the accounting treatments and carrying values in respect of those transactions for the year ended 31 December 2018. As such, the assets and liabilities of the Deconsolidated subsidiaries have not been included in the consolidated financial statements of the Group since 1 September 2018. The resulting loss on deconsolidation of approximately HK$288,084,000, which is determined based on the net asset value of approximately HK$283,436,000 and foreign currency translation reserve of approximately HK$4,648,000 of the Deconsolidated subsidiaries as at 1 January 2018 have been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

	HK$'000
Property, plant and equipment	39,883
Goodwill	161,961
Deferred tax assets	239
Other intangible asset – brand name	41,047
Other receivables, deposits and prepayments	169,724
Cash and cash equivalents	9,877
Accruals, other payables and deposits received	(75,180)
Tax payable	(6,519)
Bank borrowings	(4,559)
Deferred tax liabilities	(10,262)
Contingent consideration payable	(42,775)
Net assets deconsolidated	283,436
Release of foreign currency translation reserve	4,648
Loss on deconsolidation of subsidiaries, net	288,084

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest payables from financing activities *HK$'000*	Bank borrowings *HK$'000*	Promissory note payables *HK$'000*	Convertible bonds *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 31 December 2018	10,754	–	159,940	148,988	–	319,682
Adoption of HKFRS 16	–	–	–	–	6,437	6,437
At 1 January 2019	10,754	–	159,940	148,988	6,437	326,119
Changes from financing cash flows:						
Raised	–	–	57,330	(57,330)	–	–
Repayment	–	–	(44,743)	–	(2,928)	(47,671)
Other changes:						
Interest charges	20,296	–	9,580	16,126	261	46,263
Set-off by trade receivables	–	–	(26,410)	(56,328)	–	(82,738)
Gain on early redemption of convertible bonds	–	–	–	(532)	–	(532)
Interest paid	(17,896)	–	–	–	–	(17,896)
At 31 December 2019	13,154	–	155,697	50,924	3,770	223,545

	Interest payables from financing activities *HK$'000*	Bank borrowings *HK$'000*	Promissory note payables *HK$'000*	Convertible bonds *HK$'000*	Total *HK$'000*
At 1 January 2018	559	5,163	72,449	159,313	237,484
Changes from financing cash flows:					
Raised	–	–	79,350	43,716	123,066
Repayment	–	(604)	–	–	(604)
Redemption	–	–	–	(79,350)	(79,350)
Deconsolidation of subsidiaries	–	(4,559)	–	–	(4,559)
Other changes:					
Interest charges	10,195	–	8,141	25,309	43,645
At 31 December 2018	10,754	–	159,940	148,988	319,682

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2019	2018
	HK$'000	*HK$'000*
Financial assets		
Financial assets at FVTPL	**4,080**	–
Financial assets at amortised cost		
– Trade receivables	**27,656**	127,231
– Loan and interest receivables	**–**	6,880
– Financial assets included in other receivables, deposits and prepayments	**1,513**	23,660
– Bank balances and cash	**9,304**	23,120
	42,553	180,891

	2019	2018
	HK$'000	*HK$'000*
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	**720**	1,212
– Accruals, other payables and deposits received	**19,377**	13,313
– Amounts due to directors	**2,906**	5,116
– Convertible bonds	**50,924**	148,988
– Promissory note payables	**155,697**	159,940
– Lease liabilities	**3,770**	–
	233,394	328,569

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(i) Fair value of the Group's financial instruments that are measured at fair value

At the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated their fair values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

	2019	2018
	HK$'000	*HK$'000*
Level 1		
Financial assets at FVTPL *(note 19)*	**4,080**	–

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise trade receivables, loan and interest receivables, financial assets at FVTPL, financial assets included in other receivables, deposits and prepayments, bank balances and cash, trade payables, financial liabilities included in accruals, other payables and deposits received, amounts due to directors, promissory note payables, lease liabilities and convertible bonds. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank deposits.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2018: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2018: 100 basis points) higher/lower and all other variables held constant, the Group's loss for the year ended 31 December 2019 would decrease/increase by approximately HK$93,000 (2018: approximately HK$231,000). This is mainly attributable to the Group's exposure to interest rates on its interest-bearing bank deposits.

Foreign currency risk

The Group has foreign currency assets and liabilities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follow:

	Assets 2019 *HK$'000*	**Liabilities 2019 *HK$'000***	Assets 2018 *HK$'000*	Liabilities 2018 *HK$'000*
RMB	**379**	**–**	12	–

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. For the foreign currency risk of the Group's financial assets and liabilities the exposure is mainly in RMB against HKD.

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HKD, the effect in the loss for the year is as follow:

	Impact of RMB	
	2019	2018
	HK$'000	*HK$'000*
Increase/decrease in loss for the year	**19**	1

Credit risk

The Group's credit risk is primarily attributable to trade receivables. The exposure to the credit risk is closely monitored on an ongoing basis by established credit policies. There is no significant credit risk within the Group.

The credit risk of the Group's other financial assets, which comprise bank balances and cash, other receivables and deposits and loan and interest receivables, arises from default of the counterparty, has a maximum exposure equal to the carrying amounts of these instruments.

The Group has concentration of credit risk as approximately 57.5% (2018: approximately 18.2%) and approximately 87.4% (2018: approximately 35.5%) of the total trade receivables (net of allowance for credit losses) which was due from the Group's largest customer and the total two largest customers respectively.

The expected credit loss for bank balances and financial assets at fair value through profit or loss are limited because the counterparties are reputable banks located in Hong Kong and the PRC.

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. The Group determines the provision for expected credit losses by grouping together trade debtors with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic environment. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

As at 31 December 2019, allowance for expected credit losses of approximately HK$11,945,000 (2018: approximately HK$1,796,000) represents individually credit impaired trade debtors as the management considered the outstanding balances from these customers were uncollectible.

The Group performs expected credit losses estimates based on collaterals against loan receivables, borrowers' creditworthiness, the payment delinquency of default in interest or principal payments, borrowers' business and the industry to which borrowers belong and local economic conditions. The directors are of the opinion that no allowance for expected credit losses is necessary for these balances as there is no significant credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial liabilities and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the internal source of funds to meet its working capital and capital expenditure requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

			2019			
	On demand or less than 12 months	1 to 2 years	2 to 5 years	Over 5 years	Contractual undiscounted cash flow	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	720	–	–	–	720	720
Accruals, other payables and deposits received	19,377	–	–	–	19,377	19,377
Amounts due to directors	2,906	–	–	–	2,906	2,906
Convertible bonds	–	–	84,000	–	84,000	50,924
Promissory note payables	153,957	28,146	16,779	–	198,882	155,697
Lease liabilities	2,928	976	–	–	3,904	3,770
	179,888	29,122	100,779	–	309,789	233,394

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	2018					
	On demand or less than 12 months	1 to 2 years	2 to 5 years	Over 5 years	Contractual undiscounted cash flow	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	1,212	–	–	–	1,212	1,212
Financial liabilities included in accruals, other payables and deposits received	6,535	6,778	–	–	13,313	13,313
Amounts due to directors	5,116	–	–	–	5,116	5,116
Convertible bonds	54,600	–	180,000	–	234,600	148,988
Promissory note payables	79,350	100,000	–	–	179,350	159,940
	146,813	106,778	180,000	–	433,591	328,569

42. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares and share buy-backs as well as the raising of new debts, if required.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issues new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered paid-up capital	Percentage of equity attributable to the Company 2019	2018	Principal activities
Directly held:					
Ample Rich Capital Limited#	British Virgin Islands ("BVI")	US$1	**100**	100	Investment holding
Forever Wise Developments Limited#	BVI	US$1	**100**	100	Investment holding
Maxpark Enterprises Limited*#	BVI	US$1	**100**	100	Investment holding
Affluent Grand Limited**	BVI	US$2	**100**	100	Investment holding
Indirectly held:					
Sky Topworld Limited	Hong Kong	HK$1	**100**	100	Holding of a motor vehicle
Queensway Wine International Limited	Hong Kong	HK$2,000,000	**100**	100	Sales of wine (wholesales)
Queensway Wine (Hong Kong) Limited	Hong Kong	HK$2,000,000	**100**	100	Sales of wine (retail sales)
Queensway Golf International Limited	Hong Kong	HK$800,000	**100**	100	Sales of golf products (retail sales)
Mass Fortune (Asia) Limited*	Hong Kong	HK$1	**100**	100	Sales of wine (wholesales)
Kasco (HK) Limited*	Hong Kong	HK$1,500,000	**90.5**	90.5	Sales of golf products (wholesales)

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered paid-up capital	Percentage of equity attributable to the Company 2019	2018	Principal activities
Queensway Travel Limited**	Hong Kong	HK$500,000	**100**	100	Provision of travel service
Queensway Watch & Jewellery Limited***	Hong Kong	HK$1	**100**	100	Sales of watch and jewellery
China Fortune Investments Finance Limited	Hong Kong	HK$1	**100**	100	Provision of money lending service
Win Wave Development Limited*	Hong Kong	HK$2	**100**	100	Investment holding
成都幸福口袋企業管理諮詢有限公司*#	PRC	RMB1,000,000	**100**	100	Investment holding
口貸網絡服務股份有限公司*#	PRC	RMB55,000,000	**100**	100	Provision of consultancy service on P2P loan operation

* Acquired on 28 November 2017.

** Incorporated on 27 January 2017.

*** Incorporated on 13 December 2017.

The statutory financial statements of these subsidiaries are not audited by HLM CPA Limited.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**16**	1,037
Investment in subsidiaries *(Note a)*	**132,653**	335,908
	132,669	336,945
Current assets		
Deposits and other receivables	**900**	1,660
Bank balances and cash	**1,224**	360
	2,124	2,020
Current liabilities		
Accruals, other payables and deposits received	**16,345**	5,046
Amounts due to directors	**2,906**	4,167
Promissory note payables	**115,984**	79,350
Convertible bonds	**–**	56,960
	135,235	145,523
Net current liabilities	**(133,111)**	(143,503)
Total assets less current liabilities	**(442)**	193,442
Non-current liabilities		
Other payables	**–**	6,779
Promissory note payables	**39,713**	80,590
Convertible bonds	**50,924**	92,027
	90,637	179,396
Net (liabilities) assets	**(91,079)**	14,046
Capital and reserves		
Issued capital	**15,156**	15,156
Reserves *(Note b)*	**(106,235)**	(1,110)
Total (deficit) equity	**(91,079)**	14,046

Cheng Chun Tak
Director

Wong Chi Ho
Director

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note a: Investment in subsidiaries

	2019	2018
	HK$'000	*HK$'000*
Unlisted shares, at cost	**203,254**	203,254
Amounts due from subsidiaries	**63,074**	136,673
Amounts due to subsidiaries	**(90,675)**	(3,019)
	175,653	336,908
Provision for impairment loss	**(43,000)**	(1,000)
	132,653	335,908

Movements in the provision for impairment loss are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**1,000**	1,000
Impairment during the year	**42,000**	–
At 31 December	**43,000**	1,000

Amounts due from/to subsidiaries are unsecured, interest-free and not expected to be settled within the next twelve months from the end of the reporting period.

Note b: Movement of the reserves of the Company is as follows:

	Share premium account	**Convertible bonds equity reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	1,995,281	49,267	(1,911,860)	132,688
Issue of convertible bonds	–	7,551	–	7,551
Derecognition of convertible bonds equity reserve at maturity	–	(2,687)	2,687	–
Loss and total comprehensive expense for the year	–	–	(141,349)	(141,349)
At 31 December 2018 and 1 January 2019	1,995,281	54,131	(2,050,522)	(1,110)
Eilimination upon redemption of convertible bonds	–	(9,748)	9,748	–
Loss and total comprehensive expense for the year	–	–	(105,125)	(105,125)
At 31 December 2019	1,995,281	44,383	(2,145,899)	(106,235)

45. EVENTS AFTER THE REPORTING PERIOD

On 16 January 2020, the Company has commenced legal proceedings at the High Court of the Hong Kong Special Administrative Region (Case no. HCA 88/2020) against Tai Quan Enterprises Limited, Extreme Rich Corporate Development Limited (collectively, the "Vendors") and Radiant Thrive Enterprises Limited ("Radiant"). The Company's principal claims are for:

(i) rescission of the acquisition agreement entered between the Company and the Vendors for acquiring the entire share capital of Affluent Grand Limited on 28 April 2017 ("Acquisition Agreement"), the convertible bonds instruments and promissory notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;

(ii) declaration that the Vendors are not entitled to enforce the Acquisition Agreement dated 28 April 2017, the convertible bonds Instruments and promissory notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;

(iii) declaration that the Vendors and Radiant are not entitled to enforce the promissory notes dated 27 November 2017;

(iv) return of HK$120,000,000 money from the Vendors; and

(v) damages for fraudulent misrepresentation against the Vendors.

46. MAJOR NON-CASH TRANSACTIONS

On 30 October 2019, the Company and the holder of CB IV ("CB Holder"), entered into a deed of novation pursuant to which the CB Holder agreed to takeover the Group's outstanding trade receivables amounting to approximately HK$56,327,000 by way of set-off against the CB IV. The CB Holder agreed to accept trade receivables in the sum of approximately HK$56,327,000 as full and final settlement of CB IV. The Company has confirmed the trade receivables amounting to approximately HK$56,327,000 have been fully settled and the CB Holder has also confirmed that the amount of CB IV has been fully settled and discharged.

On 30 August 2019, the Company issued a promissory note with principal amount of HK$57,330,000 with interest at 10% p.a. The promissory note was subsequently settled by way of cash of HK$32,000,000 and the Group's novation of trade receivables of approximately HK$26,410,000 during the year ended 31 December 2019.

During the year ended 31 December 2019, the loan and interest receivables amounted to HK$10,450,000 had defaulted and was recovered by the loan's collateral and which are listed equity securities in Hong Kong with market value of HK$7,920,000 and has been transferred to the Group on 18 February 2019 and recognised as the Group's financial assets at FVTPL.

During the year ended 31 December 2018, the Group entered into two new lease agreements for the use of shops for 3 years. On the initial application date for HKFRS 16, 1 January 2019, the Group recognised right-of-use assets and lease liabilities of approximately HK$6,144,000 and HK$6,437,000, respectively.

47. COMPARATIVE INFORMATION

Certain comparative amounts have been reclassified to conform with the current year's presentation.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2020.

FINANCIAL SUMMARY

31 December 2019

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Re-presented)		
REVENUE	**62,839**	249,033	215,806	179,791	127,037
(Loss) profit before tax	**(129,408)**	(74,747)	7,361	(11,787)	(423,493)
Income tax credit (expense)	**286**	(2,898)	(6,952)	(7,246)	(1,911)
(Loss) profit for the year from continuing operations	**(129,122)**	(77,645)	409	(19,033)	(425,404)
(Loss) profit before tax from discontinued operations	**–**	(257,068)	2,815	(87,905)	–
Income tax expense	**–**	(7,754)	(879)	(7,550)	–
(Loss) profit for the period/year from discontinued operation	**–**	(264,822)	1,936	(95,455)	–
(Loss) profit for the year	**(129,122)**	(342,467)	2,345	(114,488)	(425,404)
Attributable to:					
Owners of the Company	**(129,126)**	(342,473)	2,461	(114,476)	(425,404)
Non-controlling interests	**4**	6	(116)	(12)	–
	(129,122)	(342,467)	2,345	(114,488)	(425,404)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**163,664**	388,192	848,901	524,726	552,182
TOTAL LIABILITIES	**(234,208)**	(329,321)	(452,723)	(318,626)	(338,293)
NON-CONTROLLING INTERESTS	**(380)**	(376)	(370)	(486)	–
NET (LIABILITIES) ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(70,924)**	58,495	395,808	205,614	213,889