



Hopefluent Group Holdings Limited

合富輝煌集團控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 733



ANNUAL REPORT
2019



Contents

2	Corporate Information
3	Financial Highlights
4	Year in Review
6	Chairman's Statement
9	Biographical Details of Directors & Senior Management
12	Management Discussion and Analysis
15	Corporate Governance Report
25	Directors' Report
33	Environmental, Social and Governance Report
39	Independent Auditor's Report
46	Consolidated Statement of Profit or Loss and Other Comprehensive Income
48	Consolidated Statement of Financial Position
50	Consolidated Statement of Changes in Equity
51	Consolidated Statement of Cash Flows
53	Notes to the Consolidated Financial Statements
134	Financial Summary

BOARD OF DIRECTORS

Executive Directors

Mr. FU Wai Chung (*Chairman*)
Ms. NG Wan
Ms. FU Man
Mr. LO Yat Fung

Non-Executive Director

Mr. MO Tianquan

Independent Non-Executive Directors

Mr. LAM King Pui
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF AUDIT COMMITTEE

Mr. LAM King Pui AHKICPA, CPA, FCCA, AICSA, AHKICS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF REMUNERATION COMMITTEE

Mr. LAM King Pui AHKICPA, CPA, FCCA, AICSA, AHKICS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF NOMINATION COMMITTEE

Mr. LAM King Pui AHKICPA, CPA, FCCA, AICSA, AHKICS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen
Mr. FU Wai Chung
Mr. LO Yat Fung

COMPANY SECRETARY

Mr. LO Hang Fong, solicitor, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. FU Wai Chung
Mr. LO Yat Fung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

9–10/F, One Bravo
1 Jinsui Road
Zhujiang New Town
Tianhe District, Guangzhou
People's Republic of China ("PRC")

PLACE OF BUSINESS IN HONG KONG

Room 3611, 36th Floor
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS

Stevenson, Wong & Co.
39/F, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
1/F, Citic Plaza
233 Tian Ho Bei Road
Guangzhou, PRC

Agricultural Bank of China
1/F Guangzhou International Trade Centre
1 Linhe Xi Lu
Guangzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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 BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

733

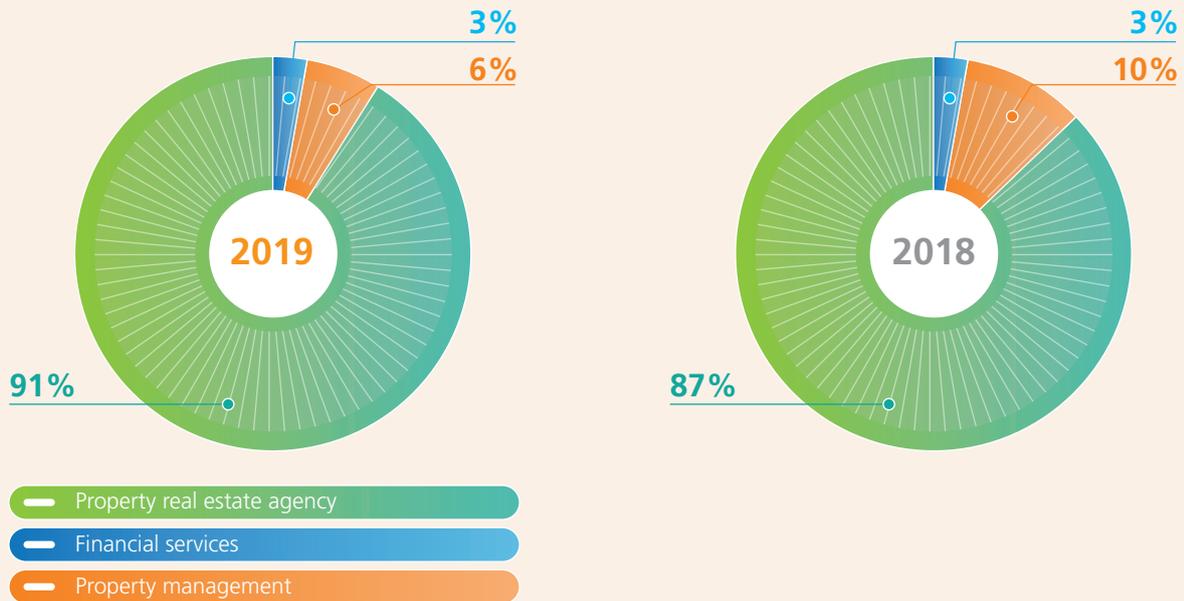
WEBSITE

www.hopefluent.com

Financial Highlights

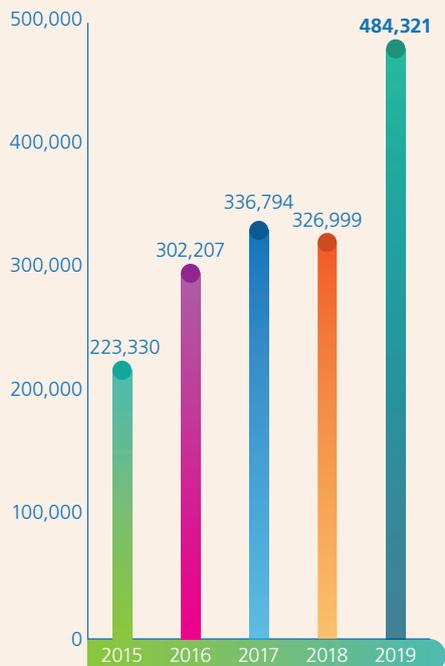
Turnover by Business

For the year ended 31st December



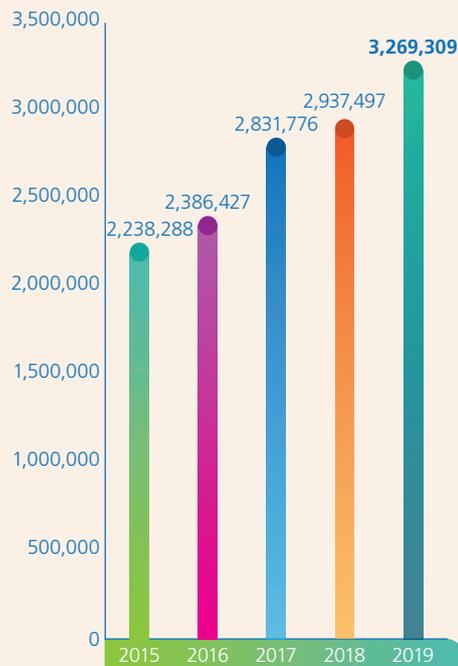
Profit Attributable to Shareholders

(HK\$'000)



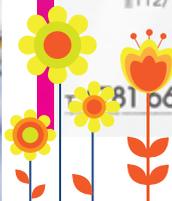
Shareholders' Funds

(HK\$'000)



Year in Review

The group serves more than **200** cities. Currently, the Group has become the close partner of renowned developers such as Sun Hung Kai Properties, Vanke, Evergrande, Poly, China Resources Land, Citic, Kingold, China Merchants Property Development, R&F Properties, Agile Property, KWG Property, Logan, Yuexiu, Huafa, Gemdale and Country Garden. The Group is continuing its efforts to expand its customer base and services and secure more agency projects in different regions, reinforcing its leading position in China's property service market.



Year in Review

In 2019, the property agency services will continue to be the core business of the Group. Given the prevalence of internet technology, the Group has integrated mobile network and online financial services with its traditional service so as to improve the operational mode of the industry and create room for sustainable development, thus ultimately providing more comprehensive services to customers.





FU WAI CHUNG
Chairman

In 2019, economic growth in Mainland China slowed down as a result of the uncertainties in the global economic environment and progress of the China-US trade dispute and negotiations. The Chinese Government has repeatedly emphasized “houses are for living in, not for speculation”, and “property and real estate should not be used as the means to stimulate the economy in the short term”. These macroeconomic austerity measures have generated more advantages than disadvantages as they have helped stabilise the overall property market in Mainland China by preventing overheating in property prices and opening the door for property purchases for mass consumers.

Facing a complicated and changing market environment, the Group, as a national property real estate agency enterprise, applied its acute market insights and extensive industry experience, as well as capitalise on its nationwide presence and competitive advantages across Southern China and the Yangtze River Delta region to quickly and effectively address various challenges. During the year under review, the Group achieved satisfactory results with overall turnover amounting to HK\$6,076 million, approximately 25% higher than HK\$4,878 million in 2018. Profit attributable to shareholders was HK\$484 million. Among which, profit from continuing and discontinued operations was HK\$252 million and HK\$232 million respectively. Profit attributable to shareholders was HK\$327 million in 2018, with profit from continuing and discontinued operations amounting to HK\$303 million and HK\$24 million respectively.

PROPERTY REAL ESTATE AGENCY SERVICES BUSINESS REMAINED HEALTHY

In 2018, the Group and Poly Developments and Holdings Group Co. Ltd. (“Poly Developments”) combined each other’s advantages to establish Hopefluent (China) Real Estate Consultancy Co., Ltd. The partnership has allowed the parties to combine their strengths to co-develop the real estate agency business and also extend and optimise their strategic deployment in key cities across the country. The Group has also enhanced its sales capability, human resources structure and quality of its services. That plus the Internet value-added services have enabled it to realise true seamless online and offline connections and provide better services to property buyers, hence consolidating its leading position in the industry. During the year under review, turnover of the property real estate agency services business was HK\$5,861 million, an increase of approximately 25%, making substantial contributions to the Group’s outstanding annual results.

FINANCIAL SERVICES BUSINESS CONTINUED TO MAKE PROGRESS

Since its debut, the Group's financial services business has been providing services targeting different aspects in property consumption, including household consumption and short-term consumer loans for property buyers. Holding legal licenses issued by the government and based on the philosophy of operating according to laws and regulations, the Group has gradually introduced financing services targeting large developers. The Group hopes to do well in these new financial and asset management businesses so as to support the healthy development of its property real estate agency services business, improve profitability and also lay a solid foundation for its long-term development. During the year, the financial services business recorded a turnover of HK\$215 million, a year-on-year increase of approximately 24%.

CONCLUSION

Since the beginning of 2020, the Novel Coronavirus epidemic has spread globally and presented severe challenges to all industries. The Group's businesses were inevitably affected. Nonetheless, the Chinese economy has maintained a long-term upward trend. While the epidemic has affected the property market in the short-term, given that the epidemic will eventually come under control, the market will improve accordingly.

With the methods of property sales diversifying, the application of internet mobile communication technology allows property buyers to gain understanding and look for consultation online and then to make appointments for offline tours to the showroom flats and conduct the actual transactions. The Group has a professional team to develop and design different internet programs that suit the market and itself, ensuring the leading position of its businesses. Meanwhile, its cooperation with Poly Developments through a joint venture has also enabled the Group to largely expand its business presence, particularly in the Guangdong, Hong Kong, Macau Greater Bay Area with outstanding market potential, thereby further boosting its leadership in the property real estate market. The Group will continue to consolidate its new and existing businesses and grasp development opportunities, so as to bring a broader-based growth momentum.

Capitalising on the Group's solid foundation in the property real estate sector and its close cooperative relations with major developers, plus the central government's policies to pave the way for the recovery of the property market, the Group will capture the opportunities to facilitate steady and healthy development of its property real estate businesses, drive growth of its financial business, and ultimately enable the Group to achieve more remarkable business results.

On behalf of the Group and the Board, I would like to thank all employees of Hopefluent for their relentless efforts contributing to the outstanding business results. I would also wish to express my gratitude to our shareholders, business partners, customers and investors for their unwavering support to and trust in the Group. The Group's entire workforce will continue to work together striving their utmost, generating satisfactory returns for shareholders.

By Order of the Board

Fu Wai Chung

Chairman

Hong Kong, 30th March, 2020

Biographical Details of Directors & Senior Management

DIRECTORS

Executive Directors

Mr. Fu Wai Chung (“Mr. Fu”) (Chairman), aged 70, the co-founder and chairman of the Group, is responsible for the strategic planning and overall management of the Group. Mr. Fu is a graduate of 華南工學院 (Wahnan Industrial College, the PRC) and holds a certificate in mechanical engineering. Mr. Fu has over 30 years of experience in real estate agency business management and administration in the PRC.

Ms. Ng Wan, aged 64, the co-founder of the Group, is responsible for the Group’s sales and marketing and overall management. Ms. Ng is a graduate of 廣州業餘大學 (Guangzhou Part-time University, the PRC) and holds a certificate in arts. Ms. Ng has over 30 years of experience in the real estate agency business. She is the wife of Mr. Fu.

Ms. Fu Man, aged 59, the co-founder of the Group, is responsible for the Group’s sales and marketing and overall management. Ms. Fu attended 廣州大學科技幹部學院 (Technology College, Guangzhou University, the PRC) and holds a certificate in industrial foreign trade. Ms. Fu has over 30 years of experience in the real estate agency business. She is the sister of Mr. Fu.

Mr. Lo Yat Fung, aged 55, is a certified public accountant in Hong Kong and has over 30 years of experience in accounting and financial management. Mr. Lo holds a Master of Science degree in Sustainable Urban Development from the University of Oxford. He is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. In addition, Mr. Lo is a fellow member of The Hong Kong Institute of Directors and the Taxation Institute of Hong Kong.

Non-Executive Director

Mr. Mo Tianquan, aged 55, founded Fang Holdings Limited (previously known as SouFun Holdings Limited) (NYSE: SFUN) (“Fang”) in 1999 and currently serves as the Executive Chairman of its board of directors. Mr. Mo is also the founder of China Index Holdings Limited (NASDAQ:CIH) and currently serves as the Chairman of the Board of Directors. Prior to founding Fang, Mr. Mo served as the General Manager for Asia at Teleres, a venture of Dow Jones & Co. and AEGON US that provided on-line commercial real estate information services (1994–1996) and the Executive Vice President at Asia Development and Finance Corporation (1996–1998). Mr. Mo holds a Bachelor’s degree in Engineering from South China University of Technology, a Master of Science degree in Business Administration from Tsinghua University and a Master degree in Economics from Indiana University. Mr. Mo is also a member of Foreign Affairs Committee (外事委員會) of the 13th Chinese People’s Political Consultative Conference National Committee.

Independent Non-Executive Directors

Mr. Lam King Pui, aged 54, is a chief accountant of a Hong Kong company and company secretary of several Hong Kong companies. He holds a Bachelor of Arts degree in accountancy from the Hong Kong Polytechnic University and has over 30 years of experience in accounting. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, a Certified Public Accountant, an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Mr. Ng Keung, aged 69, is the managing director of a private information technology company since 2000. Prior to the current appointment, Mr. Ng was the vice chairman and the general manager of a private investment company in Hong Kong. Mr. Ng graduated from 廣州市廣播電視大學 (Guangzhou City Radio and Television University, the PRC) with a diploma in industrial enterprises management.

Mrs. Wong Law Kwai Wah, Karen, aged 71, holds a bachelor of arts degree from the University of Hong Kong and has over 35 years working experience in the real estate field. Mrs. Wong is a fellow member of the Hong Kong Institute of Housing. She is also a licensed real estate agent. Currently she is the Honorary Secretary of the Hong Kong Real Estate Agents Ltd. She is also a member of the Board of Directors of the Zonta Club of the New Territories as well as a Council Member of the Belilios Old Girls Foundation. She was appointed as a member of the Disciplinary Committee of the Estate Agents Authority in the past.

Biographical Details of Directors & Senior Management

AUDIT COMMITTEE

The Company established an audit committee on 24th June, 2004. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group. The audit committee has reviewed the audited financial statements for the year ended 31st December, 2019.

The audit committee of the Group consists of three independent non-executive Directors, namely Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen. Mr. Lam King Pui was appointed as the chairman of the audit committee.

SENIOR MANAGEMENT

Mr. Liang Guo Hong, aged 54, is the financial controller and is responsible for the financial management of the Group. Mr. Liang holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院) and a bachelor's degree in construction engineering from the Military Engineering College, the PRC (中國工程兵工程學院).

Ms. Peng Xi Ming, aged 41, is the manager of the administration department and is responsible for the administration and human resources of the Group. Ms. Peng holds double degrees in Business English and International Commerce from the Jinan University, the PRC (中國暨南大學).

Mr. Zheng Songjie, aged 42, is the deputy general manager of the Group and is responsible for formulation of development strategies and overall business management for primary property agency business of the Group. Mr. Zheng holds a bachelor's degree in business administration from the Guangdong Commercial College, the PRC (廣東商學院).

Mr. Xie Yu Han, aged 55, is the deputy general manager and is responsible for market research and analysis, property projects development planning and management of related information services. Mr. Xie holds a professional diploma in corporate management from the Jinan University, the PRC (中國暨南大學).

Mr. Li Wei, aged 48, is the deputy general manager and is responsible for the formulation of development strategies and overall business management for the secondary property agency business of the Group. Mr. Li holds a bachelor's degree in material science and engineering from the Guangdong Industrial University, the PRC (廣東工業大學).

Mr. Sun Ke, aged 44, is the general manager of Southern China region and is responsible for promotion strategies and management of sales agency business for primary properties in Southern China region. Mr. Sun holds a bachelor's degree in architecture from Guangdong Industrial University, the PRC (廣東工業大學).

Mr. Liu Lian, aged 48, is the general manager of business in Eastern China region and is responsible for the promotion strategies and management of sales agency business for primary properties in Eastern China region. Mr. Liu holds a professional diploma in financial management from the Shanghai Railway Institute, the PRC (中國上海鐵道學院) and a professional diploma in corporate management from the International Business Faculty of the Nanjing University, the PRC (中國南京大學國際商學院).

Mr. Ouyang Da Hui, aged 52, is the general manager of business in Northern China region and is responsible for promotion strategies and management of sales agency business for primary properties in Northern China region. Mr. Ouyang holds a bachelor's degree in engineering from the Shenzhen University, the PRC (中國深圳大學).

Mr. Zheng Wen Wei, aged 49, is the general manager of Western China region and is responsible for the promotion strategies and management of sales agency business for primary properties in Western China region. Mr. Zheng holds a bachelor's degree in economics from the Commercial Institute of Heilongjiang, the PRC (中國黑龍江商學院).

Biographical Details of Directors & Senior Management

SENIOR MANAGEMENT (Continued)

Ms. Hu Yun, aged 47, is the manager of the architectural design advisory department and is responsible for construction, planning and research for real estates and management of related consultancy business. Ms. Hu holds a bachelor's degree in architecture from the South China University of Technology, the PRC (中國華南理工大學).

Mr. Su Qi Gang, aged 46, is the general manager of the information technology department and is responsible for research and development of products of Internet application systems and management of related department. He has over 20 years of experience in information technology and Internet. Mr. Su holds a bachelor's degree in computational science from the Sun Yat-sen University (中山大學).

Mr. Lu Jiang Bin, aged 58, is the general manager of the property management business and is responsible for the overall management of the property management services. Mr. Lu holds a diploma from the City Radio and Television University, the PRC (中國廣播電視大學).

Mr. Lu Jun, aged 50, is the general manager of the property management business and is responsible for the daily operation of property management business. He has over 15 years of experience in property management. Mr. Lu holds a master's degree in political economics from the Guangdong Academy of Social Sciences (廣東省社會科學院).

Mr. Zhong Wei Bin, aged 50, is the general manager of financial services and is responsible for financial service businesses including mortgage and loans for primary and secondary properties. Mr. Zhong holds a bachelor's degree from the Guangdong University of Technology (廣東工業大學) and a master's degree in business administration from the Asia International Open University (Macau) (亞洲(澳門)國際公開大學).

Mr. Zhen Zhong Xing, aged 36, is the deputy general manager of financial services and is responsible for financial asset management business. Mr. Zhen holds a bachelor's degree from the Guangdong University of Finance & Economics (廣東財經大學).

Ms. Huang Li Ping, aged 41, is the general manager of asset management and is responsible for the asset management business. Ms. Huang holds a bachelor's degree in law from Sichuan Normal University, the PRC (中國四川師範大學) and a master's degree in law from Sun Yat-sen University (中山大學).

COMPANY SECRETARY

Mr. Lo Hang Fong, aged 56, is a solicitor practising in Hong Kong and the company secretary of the Company. He holds a bachelor's degree in laws from the University of Bristol in England and a diploma in Chinese laws from the China Law Society. He has acquired over 15 years of experience in corporate advisory on mergers and acquisitions, initial public offerings and loan syndication.

Management Discussion and Analysis

BUSINESS REVIEW

I. Market Review for the Year 2019

In 2019, the increased economic downward pressure and the effects of the Sino-US trade war on the economy and industries in China continued to be clearly visible. To stabilise the property market in the short, medium and long-term, the central government and local governments had a clearer division and coordination of works in the implementation of austerity measures in the property market. With the stress on “houses are for living in, not for speculation” throughout the year, the central government continued to strengthen its management and control measures on the property and financial markets, and further shifted the focus of property market stability policy on a “different cities, different places, different policies” approach. As a result, local governments were more flexible in the implementation of austerity measures. Some policies in relation to the restriction on transactions in the property market were adjusted. However, due to rapid changes of the economic conditions, the transactions in the market were weaker when compared with previous years and the property market faced greater pressure on both capital and operations.

II. Overall Business Review

During the reporting period, by leveraging its outstanding professional sales team, many years of rich experience, extensive business network and internet integration strategy, Hopefluent continued to achieve solid results.

For the year ended 31st December, 2019, the Group's turnover was HK\$6,076 million, representing a year-on-year increase of approximately 25% (2018: HK\$4,878 million). Profit attributable to shareholders amounted to HK\$484 million, including profit from continuing operations amounting to HK\$252 million and profit from discontinued operations amounting to HK\$232 million (2018: HK\$327 million, including profit from continuing operations amounting to HK\$303 million and profit from discontinued operations amounting to HK\$24 million). Basic earnings per share from continuing and discontinued operations were HK72.3 cents (2018: HK49.0 cents). The Board proposed to recommend the payment of a final dividend of HK8 cents per share. Together with the interim dividend of HK4.5 cents per share, dividend for the year was HK12.5 cents per share (2018: HK11.0 cents).

The Group has recorded a turnover of the property real estate agency services business of HK\$5,861 million in 2019, accounting for 96% of its total turnover. Turnover of the financial services business was approximately HK\$215 million, accounting for 4% of the Group's total turnover. By region, Guangzhou accounted for approximately 44% of the Group's total turnover, while around 56% came from the business outside Guangzhou. Total new home sales for 2019 amounted to HK\$535.1 billion, from handling about 378,900 transactions, with a total gross floor area sold of about 35.1 million square metres.

1. Property real estate agency services business steadily advances amidst challenges

With more than 20 years of experience in the property market in China, Hopefluent has established footholds in Guangdong province, Hong Kong, Macau, the Yangtze River Delta, central and western China. Meanwhile, it has kept abreast of the times by implementing an internet integration strategy, continuously increasing investment in online operation and actively promoting the resources interaction and cooperation with new media platforms. Through online promotion and marketing as well as offline transactions, it has captured business opportunities to accelerate monetisation of data. In addition, the property real estate agency services business jointly operated by the Group and Poly Developments and Holdings Group Co., Ltd (“Poly Developments”) continued to create synergies. Continued optimisation was made to the scope of services, business scale and operating efficiency of the property real estate agency services, with the aim of further enhancing its profit stability, so that the Group could move forward in the highly competitive business environment.

Turnover of the property real estate agency services business amounted to HK\$5,861 million for the year ended 31st December, 2019, an increase of approximately 25% (2018: HK\$4,705 million). Currently, Hopefluent's existing network of its property real estate agency services business covers more than 200 cities in China and it is the agent of approximately 2,000 projects. There are around 390 branches for running the secondary property real estate agency services business.

BUSINESS REVIEW (Continued)

II. Overall Business Review (Continued)

2. Financial services business progresses well, actively developing asset management service

To cope with the market environment and demand, the Group's financial services platform has timely adjusted the positioning and strategic focus of its financial services. It offers a diversified product portfolio to meet the different needs of customers and successfully captured and secured sufficient customers resources. It focuses on serving property enterprises with investment and financing needs and high net worth individuals by providing property-related financial services to meet their needs. The Group has launched asset management services in 2019 to provide a superior financial planning service to the customers with ample assets. It plans to actively expand this business in the coming year in order to eventually become a business growth driver of the Group. Total transaction value of the Group's financial services business for the year amounted to HK\$3.3 billion. Turnover was approximately HK\$215 million, an increase of around 24% year-on-year (2018: HK\$173 million).

3. Disposal of property management services business to align with overall business development strategy

The Group's property management services for residential, office and shopping mall projects in Guangzhou, Shanghai, Tianjin and Wuhan generated a turnover of HK\$342 million during the year under review.

To align with the overall business development strategy and cope with the market environment and its own development needs, the Group has adjusted its strategy and disposed of its property management services business in a timely fashion in July 2019. Details of which are included in the announcement of the Company dated 10th July, 2019. The Group will focus on further developing its property real estate agency services and financial services businesses in the future.

III. Prospects for 2020

The outbreak of the Novel Coronavirus epidemic in early 2020 has put more downward pressure on the economy and brought about severe challenges to all industries and inevitably affected the Group's businesses. The central government has implemented a series of measures in order to fuel economic recovery in the aspects of finance, taxation, infrastructure and specific assistance for enterprises. Under the policy of "different cities, different places, different policies", market stabilisation policies have been launched in different cities across China to maintain stable development of the property market, involving industry capital, land supply, introduction of talents and government subsidies, etc. In the macroeconomy and the property market alike, the government policies will promote and realise market recovery after the conclusion of the epidemic.

With the mode of property sales diversifying, the application of internet mobile communications technology can allow home buyers to make online enquiries for information, followed by setting up appointments for offline visits to the showroom flats and then proceeding to actual transactions. The Group has a professional team to develop and design different internet programs which meet the needs of the market and its own requirements, so as to maintain its business leadership. Meanwhile, the joint venture between the Group and Poly Developments will help to expand the Group's business presence significantly, in particular in the Greater Bay Area with greater market potential, thereby further reinforcing its leadership in the property real estate agency industry. The Group will continue to integrate its new and existing businesses and grasp development opportunities, with the aim of creating growth momentum in all aspects of its business.

The Group expects that its businesses in the first half of 2020 will be more affected by the epidemic, but we strongly believe that the Chinese economy will continue to maintain a long-term upward development trend. Besides, against the backdrop of continued development of the economy and accelerating urbanisation in the future, the demand for properties will remain huge. It is believed that the property market will sustain a positive development trend after the epidemic. Through their concerted efforts, the staff of Hopefluent will devise solutions in a timely fashion to cope with the market changes and consistently transform threats into opportunities, continue its efforts with the aim of generating satisfactory returns to the Group and its shareholders.

Management Discussion and Analysis

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three existing independent non-executive directors, has reviewed the audited financial statements for the year ended 31st December, 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2019, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK\$2,163.4 million (31st December, 2018: HK\$1,723.4 million) and 2.94 (31st December, 2018: 2.57) respectively. Total borrowings amounted to approximately HK\$516 million which are secured bank loan and other borrowings (31st December, 2018: approximately HK\$691 million which are secured bank loan, unsecured bank loan and other borrowings). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 8.1% (31st December, 2018: 11.8%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 31st December, 2019.

PLEDGE OF ASSETS

As at 31st December, 2019, the Group pledged its investment properties and leasehold land and buildings with an aggregate amount of approximately HK\$44 million to banks to secure bank and other borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions were denominated in either Hong Kong dollars or Renminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

EMPLOYEES

As at 31st December, 2019, the Group had approximately 23,000 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Employees are regarded as the greatest and valuable assets of the Group. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

ENVIRONMENTAL POLICY

The Group is committed to building an environmental friendly working environment that conserves natural resources. The Group strives to minimize the environmental impact by saving electricity and water and encouraging recycle of office supplies.

CAPITAL STRUCTURE

As at 31st December, 2019, the total number of shares (the "Shares") of HK\$0.01 each in the capital of the Company in issue was 674,149,989.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Board”) and the management of the Company and its subsidiaries (the “Group”) are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices have always been one of the Group’s goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders’ value.

The Board has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Continuous efforts are made to review and enhance the Group’s risk management and internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31st December, 2019, except where otherwise stated.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by directors. Having made specific enquiry with all directors, the directors confirmed that they all had complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors	:	Mr. FU Wai Chung (<i>Chairman</i>) Ms. NG Wan Ms. FU Man Mr. LO Yat Fung
Non-executive Director	:	Mr. MO Tianquan
Independent Non-executive Directors	:	Mr. LAM King Pui Mr. NG Keung Mrs. WONG LAW Kwai Wah, Karen

Each independent non-executive director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

During the financial year ended 31st December, 2019, 5 Board meetings and one annual general meeting ("2019 AGM") were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended in the year ended 31st December, 2019	
	Board meetings	2019 AGM
Mr. FU Wai Chung	5/5	1/1
Ms. NG Wan	4/5	1/1
Ms. FU Man	4/5	1/1
Mr. LO Yat Fung	5/5	1/1
Mr. LAM King Pui	4/5	1/1
Mr. NG Keung	4/5	1/1
Mrs. WONG LAW Kwai Wah, Karen	4/5	1/1
Mr. MO Tianquan	0/5	0/1

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's long-term objectives and overall strategies; authorising the development plan and budget; determining and approving financing options; monitoring financial and operating performance; reviewing the effectiveness of the risk management and internal control systems; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, ensuring the Company's policies and practices are in compliance with legal and regulatory requirements, etc. The Board reviewed the Company's policies and practices on corporate governance as well as the Company's compliance with the CG Code.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments. Minutes are open for inspection at any reasonable time on reasonable notice by any director. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Fu Wai Chung (“Mr. Fu”) is the chairman of the Company and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meets from time to time to discuss issues affecting operation of the Company.

The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Ms. Ng Wan is the wife of Mr. Fu and Ms. Fu Man is the sister of Mr. Fu.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director is appointed for an initial term which is renewable automatically each year. All independent non-executive directors are currently appointed for a specific term up to 31st December, 2020 which may be extended as each director and the Company may agree in writing. The term of appointment of the non-executive director has been extended to 31st March, 2021 and thereafter may be extended for such period as the Company and he agrees in writing. However, their appointments are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Articles of Association of the Company (the “Articles of Association”).

The Articles of Association of the Company provides that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

PROFESSIONAL DEVELOPMENT

To assist directors’ continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the Company.

The individual training record of each director received for the year ended 31st December, 2019 is summarized below:

	Attending seminar(s)/ forum(s)/programme(s)/ conference(s) relevant to the business or directors’ duties
Mr. FU Wai Chung	✓
Ms. NG Wan	✓
Ms. FU Man	✓
Mr. LO Yat Fung	✓
Mr. LAM King Pui	✓
Mr. NG Keung	✓
Mrs. WONG LAW Kwai Wah, Karen	✓
Mr. MO Tianquan	✓

PROFESSIONAL DEVELOPMENT (Continued)

Mr. Fu Wai Chung, Ms. Ng Wan, Ms. Fu Man and Mr. Lo Yat Fung, being executive Directors, and Mr. Mo Tianquan, being non-executive Director, have attended various seminars and meetings to develop and refresh their knowledge so as to ensure that their contribution to the Board remains informed and relevant. Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen, being independent non-executive Directors, have participated in continuous professional development programs provided by, among others, the Estate Agents Authority and the Hong Kong Institute of Certified Public Accountants. All the directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises the three existing independent non-executive directors, who have reviewed the financial statements for the year ended 31st December, 2019. Mr. Lam King Pui, the chairman of the Audit Committee, has professional qualifications and in-depth experience in accounting and related financial management expertise. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors; to review the half-year and annual financial statements before submission to the Board; to monitor the quality of risk management and internal control and to consider major findings of internal investigations and management's response.

Four meetings were held for the year ended 31st December, 2019. The attendance of each member is set out as follows:

Name of members of Audit Committee	Number of meetings attended in the financial year ended 31st December, 2019
Mr. LAM King Pui	4/4
Mr. NG Keung	4/4
Mrs. WONG LAW Kwai Wah, Karen	4/4

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

- (a) review and supervise the financial reporting process and risk management and internal control systems of the Company and its subsidiaries;
- (b) make recommendation to the Board, for the approval by shareholders, of the re-appointment of the auditor and approval of their remuneration;
- (c) review the financial statements for the relevant periods; and
- (d) discuss business development of the Group.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) comprises the three existing independent non-executive directors and Mr. Lam King Pui is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company’s website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company’s remuneration policy and structure for all directors’ and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

The Group’s human resources department assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Committee’s consideration. The remuneration of executive directors and senior management is determined with reference to the Company’s performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions.

One meeting was held during the year ended 31st December, 2019. During the meeting, remuneration policies of the directors have been discussed and no change has been proposed to the remuneration policies. No director or any of his associates was involved in deciding his own remuneration.

The attendance of each member is set out as follows:

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 31st December, 2019
Mr. LAM King Pui	1/1
Mr. NG Keung	1/1
Mrs. WONG LAW Kwai Wah, Karen	1/1

A share option scheme has been adopted in the annual general meeting held on 6th June, 2014. Details of this share option scheme are set out in a circular dated 29th April, 2014.

The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors’ emolument are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 22nd March, 2012 comprising Mr. Fu Wai Chung, Mr. Lo Yat Fung and the existing three independent non-executive directors. Mr. Lam King Pui is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

According to the terms of reference of the Nomination Committee, its major roles and functions are as follows:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships of the Company;
- to assess the independence of independent non-executive directors of the Company; and
- to make recommendations to the Board on the appointment or re-appointment of directors of the Company and succession planning for directors, in particular the chairman and the chief executive of the Company.

In considering the nomination of new directors, the Board and nomination committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the property real estate agency and consultancy services and/or other professional areas and the diversity criteria set out in the board diversity policy of the Company.

The procedures for the election and appointment of director(s) are that the committee may search for candidates for directors on an extensive scale in the Company, its subsidiaries and the job market, gather information of the preliminary candidates and then shall submit to the board of directors its recommendations on candidates for directors and relevant materials prior to the election of new directors.

One meeting was held during the year ended 31st December, 2019. No change has been proposed to the structure, size and composition of the Board during the meeting and the Committee had also confirmed the independence of independent non-executive director who would be retired and offer himself for re-election at 2019 AGM and the diversity of the Board.

The attendance of each member is set out as follows:

Name of members of Nomination Committee	Number of meetings attended in the financial year ended 31st December, 2019
Mr. FU Wai Chung	1/1
Mr. LO Yat Fung	1/1
Mr. LAM King Pui	1/1
Mr. NG Keung	1/1
Mrs. WONG LAW Kwai Wah, Karen	1/1

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy effective on 1st September, 2014 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 8 directors. Three of them are women. Three of the directors are independent non-executive directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, professional background and skills.

DIVIDEND POLICY

The Board has approved and adopted a policy for the Company's dividend distribution (the "Dividend Policy") in 2019.

The Dividend Policy of the Company aims at enhancing transparency of the Company and facilitating the shareholders and investors to make informed investment decisions relating to the Company.

Under the Dividend Policy, the Company does not have any pre-determined dividend payout ratio. The declaration, payment and amount of dividends are subject to the Board's discretion having regard to the following factors:

- (1) the Group's actual and expected financial performance;
- (2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- (3) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (4) the Group's liquidity position;
- (5) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;
- (6) the contractual restrictions on the payment of dividends by the Company to its shareholders (if any);
- (7) the statutory and regulatory restrictions on the payment of dividends by the Company; and
- (8) any other factors that the Board deems relevant.

DIVIDEND POLICY (Continued)

The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

Such declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rule and regulations and the Articles of Association of the Company.

Any declaration and payment of future dividends under the Dividend Policy are subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risks have been disclosed in the report of the directors of this annual report. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Each department of the Company would choose certain material risk events in its field every year and assess and grade the possibility of occurrence and influence of risk events to determine the scope of material risk of the year together with the management of the Company. Each functional department prepares counteractions to deal with material risks in its field and report the execution situation regularly.

The Company has maintained an internal control department ("ICD") established in 2006 which performs an internal audit function and reported directly to the Board. The function of the ICD audit team is to ensure the branches operation and practices are complied with the Group's policies and procedures. The team has reviewed and checked the sales performance reports and cash flow of each branch rotationally. The management of the Company has established a set of structure, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Control Systems (Continued)

The Board reviews the risk management and internal controls annually. The Board has conducted a review of, and is satisfied with the effectiveness and adequacy of the risk management and internal control systems and the internal audit function for the year ended 31st December, 2019.

With respect to the monitoring and disclosure of inside information, the Company has formulated its guidelines, with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information.

Auditors' Remuneration

During the financial year ended 31st December, 2019, the fees paid to the Company's auditors is set out as follows:

The non-audit services provided by the auditors are relating to review of the Company's interim report.

Services rendered	Fees paid/payable HK\$'000
Audit services	4,380
Non-audit services	330

COMPANY SECRETARY

The Company has engaged Mr. Lo Hang Fong, a solicitor practising in Hong Kong, as its company secretary and Mr. Lo Yat Fung, an executive director of the Company, is the person whom the company secretary can contact. The biographical details of Mr. Lo Hang Fong are set out under the section headed "Biographical Details of Directors & Senior Management".

According to Rule 3.29 of the Listing Rules, Mr. Lo Hang Fong has taken no less than 15 hours of relevant professional training during the financial year ended 31st December, 2019.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

— Right to convene EGM

Any one or more members holding at the date of the 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 sent to the Company's business office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's place of business in Hong Kong at Room 3611, 36th Floor, Shun Tak Centre West Tower, 200 Connaught Road Central, Hong Kong and such may consist of several documents in like form, each signed by one or more requisitionists.

SHAREHOLDERS' RIGHTS (Continued)

— Right to convene EGM (Continued)

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified as not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting 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 by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

- At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;
- At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

— Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the place of business of the Company in Hong Kong or by e-mail to info@hopefluent.com.hk for the attention of the Board or company secretary.

— Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless a Notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hopefluent.com.

During the year ended 31st December, 2019, there had been no change in the Company's constitutional documents.

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46 to 47.

The Board has decided to recommend the payment of a final dividend of HK8 cents per share (the "Proposed Final Dividend") (2018: HK6.5 cents per share) for the year ended 31st December, 2019. Including the interim dividend of HK4.5 cents per share paid on 18th October, 2019, the total dividend for the year ended 31st December, 2019 will amount to HK12.5 cents per share (2018: HK11 cents per share).

The Proposed Final Dividend will be subject to shareholders' approval at the Company's forthcoming annual general meeting (the "2020 AGM"). The Proposed Final Dividend will be distributed on or about 30th July, 2020 (Thursday) to the shareholders whose names appear on the register of members of the Company on 10th July, 2020 (Friday).

The dividend policy of the Group is set out in the Corporate Governance Report of this report.

BUSINESS REVIEW

The business review of the Group for the year ended 31st December, 2019 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 6 and 12 respectively of this Annual Report.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace and competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide property information that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the property so that the Group can respond proactively.

The Group is also dedicated to develop good relationship with developers as long-term business partners to ensure stability of the Group's business.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

The results of operations and prospects of the Group are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on the current or future business, results of operation or financial condition of the Group.

Financial Risk

The financial risk management of the Group are set out in note 41b to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

- (i) from 22nd June, 2020 (Monday) to 26th June, 2020 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 19th June, 2020 (Friday); and
- (ii) from 9th July, 2020 (Thursday) to 10th July, 2020 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the Proposed Final Dividend. In order to establish entitlements to the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 8th July, 2020 (Wednesday).

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties as at 31st December, 2019. The deficit arising on the revaluation amounted to HK\$1,537,000 and has been recognised in the consolidated statement of profit or loss and other comprehensive income. Details of the movements in the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent capital expenditure of HK\$35,731,000 on additions of property, plant and equipment, mostly for the expansion of property agency services throughout the PRC.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2019 comprised the share premium, contributed surplus reserve and accumulated losses of approximately HK\$484 million.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

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

The Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2019.

BOARD OF DIRECTORS

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

Executive directors

Mr. Fu Wai Chung (*Chairman*)

Ms. Ng Wan

Ms. Fu Man

Mr. Lo Yat Fung

Non-executive director

Mr. Mo Tianquan

Independent non-executive directors

Mr. Lam King Pui

Mr. Ng Keung

Mrs. Wong Law Kwai Wah, Karen

In accordance with the provisions of the Company's Articles of Association, Messrs. Fu Wai Chung, Mo Tianquan and Lam King Pui retire by rotation and being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his/her retirement by rotation as required by the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a duration of three years commencing from 1st April, 2004 and will continue thereafter until terminated by either party giving to the other not less than three months' advance written notice of termination.

Other than as disclosed above, none of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Directors' Report

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2019, the interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions:

- (i) Ordinary share of HK\$0.01 each and underlying shares under equity derivatives of the Company

Name of Director	Number of shares			Aggregate interest	Approximate percentage of the issued share capital
	Ordinary shares interest held under personal name	Ordinary shares interests held by controlled corporations	Underlying shares (under equity derivatives of the Company)		
Mr. Fu Wai Chung ("Mr. Fu")	28,024,334	224,902,799 (note 1)	–	252,927,133	37.52%
Ms. Ng Wan	7,398,334	–	–	7,398,334	1.10%
Mr. Mo Tianquan	–	111,885,625 (note 2)	–	111,885,625	16.60%

Notes:

- 174,184,799 shares and 50,718,000 shares are registered in the name of Fu's Family Limited and China-net Holding Ltd. respectively. Fu's Family Limited is held 70% by Mr. Fu, 15% by Ms. Ng Wan and the remaining 15% by Ms. Fu Man. China-net Holding Ltd. is wholly-owned by Mr. Fu.
- These shares are held by Fang Holdings Limited (formerly known as SouFun Holdings Limited) as registered holder of shares. Caldstone Enterprises Limited, Seletar Limited and Serangoon Limited are trustees. Next Decade Investments Limited and Media Partner Technology Limited are controlling shareholders of Fang Holdings Limited (formerly known as SouFun Holdings Limited). Mr. Mo Tianquan is the founder of the trust who is deemed to be interested in these shares.

- (ii) Ordinary shares of US\$1.00 each in Fu's Family Limited

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu Wai Chung	70	70%
Ms. Ng Wan	15	15%
Ms. Fu Man	15	15%

- (iii) Ordinary shares of US\$1.00 each in China-net Holding Ltd.

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu Wai Chung	100	100%

Other than as disclosed above, none of the directors nor their associates had any interest or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31st December, 2019.

SHARE OPTIONS

Particulars of the Company's share options scheme (the "Scheme") were set out in note 37 to the consolidated financial statements.

No share options were granted, cancelled, exercised or lapsed during the review year.

The total number of shares of the Company issuable upon exercise of all options may be granted under the Scheme is 52,370,190, representing 7.77% of the issued shares of the Company as at the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Company's share option scheme as disclosed above, at no time during the year was the Company, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

USE OF PROCEEDS FROM THE DISPOSAL COMPLETED ON 31ST JULY, 2019

On 10th July, 2019, a wholly-owned subsidiary of the Company as vendor entered into a sale and purchase agreement with an independent third party as purchaser in relation to the disposal of Sino Estate Holdings Limited and its subsidiaries for a consideration of HK\$358,424,550 (subject to adjustments) which would be settled by the purchaser in cash (the "Disposal") by instalments.

As 31st December, 2019, the Group had received HK\$250 million from the Disposal and the Group has utilised approximately HK\$110 million of the proceeds received, of which approximately HK\$50 million was used for the development of the Group's financial services business; approximately HK\$30 million was used for the Group's future dividend distribution and approximately HK\$30 million was used for working capital of the Group. Such proceeds have been and will be applied in the manner consistent with that stated in the announcement of the Company dated 10th July, 2019.

Details of the above Disposal have been disclosed in the announcement dated 10th July, 2019, and set out in notes 13 and 33 to the consolidated financial statements.

CONNECTED TRANSACTION

On 19th July, 2018, the shareholders have approved a Cooperation Agreement (as defined below) at an extraordinary general meeting which was a cooperation reorganisation agreement ("Cooperation Agreement") entered into by the Company, Hopefluent (Hong Kong) Limited and Poly Developments and Holdings Group Co., Ltd. (formerly known as Poly Real Estate Group Co., Ltd.) ("Poly Real Estate" with its subsidiaries "Poly Real Estate Group") on 7th May, 2018 in relation to the real estate agency business cooperation between the parties, involving, inter alia, the acquisition by 合富輝煌(中國)房地產顧問有限公司 (in English, for identification purpose only, Hopefluent (China) Real Estate Consultancy Co., Ltd.) ("Hopefluent China" with its subsidiaries "Hopefluent China Group") of the group of 保利地產投資顧問有限公司 (in English, for identification purpose only, Poly Real Estate Investment Consultancy Co., Ltd.) ("Poly Consultancy" with its subsidiaries "Poly Consultancy Group"), in consideration for the issue by Hopefluent China of 43.9% of its entire equity interests to Poly Real Estate. Upon completion of the abovementioned restructuring on 4th September, 2018, Poly Real Estate owned 43.9% of the entire equity interests in Hopefluent China and has become a connected person at the subsidiary level (as defined in the Listing Rules) of the Company.

On 27th July, 2018, the Company entered into a master agreement ("Master Agreement") with Poly Real Estate (which is a connected person at the subsidiary level), Hopefluent China and Poly Consultancy in relation to possible connected transactions between the enlarged group and Poly Real Estate Group including:

- the total amount due from the Poly Real Estate Group to the Poly Consultancy Group, comprising mainly the real estate agency fee payable by the Poly Real Estate Group to the Poly Consultancy Group. The parties have agreed that the Poly Real Estate Group would settle the abovementioned outstanding amount by instalments.
- for those property development projects effectively controlled by Poly Real Estate, Poly Real Estate will continue to primarily engage real estate agents for selling the properties thereof, and the Poly Consultancy Group and the Hopefluent China Group will have the preferential rights to be engaged as real estate agents for such property development projects on the same commercial terms.

CONNECTED TRANSACTION (Continued)

- Poly Real Estate agrees that the enlarged group could continue to rent various premises at various cities of the PRC which the Poly Consultancy Group has rented before.
- Some of the premises rented by the Poly Consultancy Group are managed by the Poly Real Estate Group. To the best knowledge of the Directors, the monthly management fee paid by the Poly Consultancy Group to the Poly Real Estate Group was agreed after arm's length negotiations between the relevant parties with reference to the then market rates, comparable to the current market rates and was generally in line with the management fee payable by other tenants of properties comparable to the premises of the Poly Consultancy Group being rented by the Poly Real Estate Group.

The reasons for entering the Master Agreement including the cooperation restructuring would allow the Company and Poly Real Estate to cooperate to enhance the core competitiveness of Hopefluent China by contributing their respective quality resources and establish Hopefluent China as a leading enterprise in the real estate agency service sector of the PRC and to allow Hopefluent China to have preferential rights to be engaged as the real estate agent for the property development projects effectively controlled by Poly Real Estate. The primary and secondary real estate agency businesses of the Company and Poly Real Estate will be exclusively operated by the Hopefluent China Group and the Poly Consultancy Group, which will also enjoy preferential rights to be engaged as the real estate agent for the property development projects effectively controlled by Poly Real Estate. The Board believes that the Master Agreement will allow the enlarged group to take advantage of such preferential rights and thereby improving the operating and financial performance and position of the enlarged group.

Pursuant to Rule 14A.101 of the Listing Rules, the possible connected transactions are exempt from the circular, independent financial advice and Shareholders' approval requirements under the Listing Rules.

Details of the above have been disclosed in the circular dated 22nd June, 2018, the announcements dated 19th July, 2018, 27th July, 2018, 2nd August, 2018 and 7th August, 2018.

Details of the transactions were mainly set out in notes 32 and 39 to the consolidated financial statements.

The Directors (including the independent non-executive directors) considered that the Master Agreement and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Group, and have been negotiated on an arm's length basis between the parties on normal commercial terms, and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance, to which the Company, its subsidiaries or fellow subsidiaries, was a party and in which a director 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.

There is no transactions, arrangements and contract of significance to the business of the Group between the Company, or any of its subsidiaries, or a controlling shareholder or any of its subsidiaries during the year. During the year, no transactions, arrangements and contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries was made.

MANAGEMENT CONTRACT

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

PERMITTED INDEMNITY PROVISION

During the financial year and up to the date of this report, a permitted indemnity provision being in force for the benefit of the directors of the Company is in the Articles of Association of the Company. The Articles of Association is available on the website of the Stock Exchange. Directors' liability insurance is arranged to cover the directors of the Company against any potential costs and liabilities arising from claims brought against them.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions:

Name of shareholder	Capacity	Number of issued ordinary shares or underlying shares under derivatives	Approximate percentage of the issued share capital of the Company
Mr. Fu	Beneficial owner/Held by controlled corporation/Spouse interests (note 1)	260,325,467	38.62%
Fu's Family Limited	Beneficial owner (note 1)	174,184,799	25.84%
China-net Holding Ltd.	Beneficial owner (note 1)	50,718,000	7.52%
Fang Holdings Limited	Beneficial owner (note 2)	111,885,625	16.60%
Media Partner Technology Limited	Held by controlled corporation (note 2)	111,885,625	16.60%
Next Decade Investments Limited	Held by controlled corporation (note 2)	111,885,625	16.60%
Mo Tianquan	Founder of the trust (note 2)	111,885,625	16.60%
Caldstone Enterprises Limited	Trustee (note 2)	111,885,625	16.60%
Seletar Limited	Trustee (note 2)	111,885,625	16.60%
Serangoon Limited	Trustee (note 2)	111,885,625	16.60%
Value Partners High-Dividend Stocks Fund		33,844,800	5.02%
Value Partners Group Limited (note 3)		33,512,000	4.97%

Notes:

- Mr. Fu's interests include 174,184,799 shares held through Fu's Family Limited, 28,024,334 shares held by himself and 7,398,334 shares held by his spouse, Ms. Ng Wan, who is also a director of the Company. The remaining 50,718,000 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu.
- These shares are held by Fang Holdings Limited (formerly known as SouFun Holdings Limited) as registered holder of shares. Caldstone Enterprises Limited, Seletar Limited and Serangoon Limited are trustees. Next Decade Investments Limited and Media Partner Technology Limited are controlling shareholders of Fang Holdings Limited (formerly known as SouFun Holdings Limited). Mr. Mo Tianquan is the founder of the trust who is deemed to be interested in these shares.
- These shares are held by Value Partners Group Limited through Value Partners Hong Kong Limited and Value Partners Limited.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2019.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors as independent.

Directors' Report

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their expertise and job specifications.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers were less than 30% of total turnover.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers of the Group.

ENVIRONMENTAL POLICY

The Group is committed to building an environmental friendly working environment that conserves natural resources. The Group strives to minimize the environmental impact by saving electricity and water and encouraging recycle of office supplies.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the financial year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2019. Based on information that is publicly available to the Company and within the knowledge of the directors, the percentage of the ordinary shares in public hands exceeds 25% as at 30th March, 2020.

RELATED PARTY TRANSACTION

Details of the major related party transactions undertaken in the normal course of business are provided under note 39 to the consolidated financial statements of this annual report, and save as disclosed in section headed "Connected Transaction", none of which constitutes a discloseable continuing connected transaction or connected transaction as defined under the Listing Rules.

AUDITOR

On 3rd January, 2019, Deloitte Touche Tohmatsu resigned as auditor of the Company and BDO Limited was appointed by the Directors to fill the casual vacancy on 4th January, 2019. BDO Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Fu Wai Chung

Chairman

Hong Kong
30th March, 2020

Environmental, Social and Governance Report

The Board of Directors (the “Board”) of the Company are pleased to present this report in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This report covers the financial year ended 31st December, 2019 and describes how the Company fulfills the “comply or explain” provisions of the ESG Guide. This report covers the Company and all of its subsidiaries and branches in the People’s Republic of China (“PRC”) and Hong Kong (the “Group”).

MANAGEMENT APPROACH, STRATEGY, PRIORITIES AND OBJECTIVES

The Board is responsible for the environmental and social governance strategy to ensure that the relevant environmental and social policies are in place. The Board also believes that the success of the Group is not only based on the performance of its operations and activities, but is also based upon its responsibility and commitment towards the environment, employees, suppliers, customers, and the community. The Group has adopted various policies in the environmental and social aspects in order to support the Group’s sustainability growth.

The Group manages its operations and businesses in an environmentally and socially responsible manner and this report sets out the summary of how the Group implements its environmental and social policies during the year ended 31st December, 2019. The management of the Company has confirmed to the Board about the effectiveness of the environmental and social policies, and this report has been reviewed and approved by the Board.

ENVIRONMENTAL

Emissions

The Group is engaged in the businesses of provision of real estate agency service, property management services, mortgage referral services, advertising, marketing services, financial services and investment holding.

The Group’s direct environment impact is immaterial as we are in the service industry and primarily an office based company with low energy, power and water consumption. Therefore, the operations of the Group does not have significant impact to the environment and does not generate significant air and greenhouse gas (“GHG”) emissions, discharges into water and land and hazardous and non-hazardous waste.

During the year ended 31st December, 2019, the Group and its office did not generate significant emissions, water pollutants and hazardous wastes during the operation, except for GHG emissions and non-hazardous waste.

The non-hazardous wastes generated by the Group’s operations mainly consist of toner cartridges and ink cartridges. During the year, the increase in the usage of toner cartridges is mainly attributable to replacement of certain ink printers by laser printers. During the current year and the prior year, the consumption volume generated by the Group is shown as below:

Non-hazardous waste category	2019 Pieces	2018 Pieces
Toner cartridge	23,780	6,690
Ink cartridge	7,460	14,500

The Group’s workplace effluents and wastes are limited which are attributed to the operation of the Company’s offices and property real estate agency service branches. Workplace wastes are treated by the property management companies maintaining the Group’s offices and branches. Our GHG emissions are indirect, principally resulting from electricity consumed at the Company’s offices and branches as well as from business travel by some employees.

Environmental, Social and Governance Report

ENVIRONMENTAL (Continued)

Emissions (Continued)

Owing to its business nature, the main air emissions of the Group are the GHG emissions, arising from the use of electricity in the office and branch operations. The total GHG emissions for the year was about 6,177 tonnes (2018: 3,702 tonnes) in carbon dioxide equivalent.

GHG Performance Summary	2019 Tonnes	2018 Tonnes
Direct GHG emission — petrol consumption	1,216	692
Indirect GHG emission — electricity consumption	4,932	2,999
Other indirect GHG emission — paper and water consumption	29	11
Total GHG emission	6,177	3,702

Nevertheless, the Group is committed to the principles of waste management for the proper handling and disposal of all wastes from our business activities. The Group also takes steps to closely monitor and manage the environmental effect of the operations.

It is the Group's objective to reduce energy consumption and carbon emissions. The Group adopts green practices into its operation. For example, at the Group's offices and branches, the indoor temperature and the running time of air-conditioning system are controlled to reduce energy consumption and carbon emissions.

The Group does not produce hazardous wastes in its business activities.

Use of Resources

Since the Company's operation is office based, resources such as electricity and water are mainly consumed by its offices and branches. The Group is committed to building an environmental friendly working environment that conserves natural resources. The Group strives to minimise the environmental impact by saving electricity and water, encouraging recycle of office supplies, and using environmental friendly equipments and tools in the marketing events of the property promotion project.

The water consumption of the Group is limited, and much of the water consumption is for basic cleaning, sanitation and daily domestic uses in the office and branches. We also promote water conservation awareness to the employees, and inspect water supply facilities to reduce water wastage.

Concerning the use of energy and office electricity control, the Group requires employees to make sure that all lights, computers, office equipment, and other electronic appliances are switched off after office hour or when they are not utilized. Furthermore, when we purchase office equipment and electronic appliances, we take into great consideration about the energy consumption efficiency of the office equipment and electronic appliances.

For office consumables consumption management, the Group encourages its employees to handle documents electronically. Concerning the reduction of use of papers, we require the employee to assess the necessity of printing, and adopt the practice of double-sided printing and reusing single-sided printed papers. In addition, internet-meeting practices through video conference or telephone conference, instead of face-to-face meetings, are encouraged to avoid unnecessary travel. We also encourage recycle of office supplies.

ENVIRONMENTAL (Continued)

Use of Resources (Continued)

During the financial year, the Group's use of major resources and energy is as follows:

Gasoline

During the financial year, the Group consumed gasoline of vehicles of 496 tonnes (2018: 282 tonnes), which was mainly used for the daily consumption by the office vehicles of the Company.

Electricity

During the financial year, the electricity consumption of the Group was 7,046,200 kWh (2018: 4,284,000 kWh), which was standard consumption for the daily operation of the Company.

Use of Water

During the financial year, the water consumption of the Group was 127,200 tonnes (2018: 35,250 tonnes). The water consumption is classified as daily consumed water.

Paper

During the financial year, the Company procured a total of 348 tonnes (2018: 156 tonnes) of paper, which was mainly for general office purposes.

Resource Consumption	2019 Tonnes/kWh	2018 Tonnes/kWh
Gasoline	496	282
Electricity	7,046,200	4,284,000
Water	127,200	35,250
Paper	348	156

Since the Group operates in the provision of service industry, other than the above major resource consumption categories, there is no other category of resource consumption that needs to be disclosed in accordance with relevant laws and regulations. The Group strictly follows the environmental laws and regulations in the PRC, and there has been no material environmental problem during the year.

As the Group has completed the acquisition of Poly Real Estate Investment Consultancy Co., Ltd. and its subsidiaries ("Acquisition") in September 2018, non-hazardous waste, emissions and the energy and resource consumption of the Group was increased in the year under review compared with that of last year due to enlarged group's consumption resulting from the Acquisition.

In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, such disclosure is not applicable to the Group.

The Group has complied with relevant environmental laws and regulations, including but not limited to Environmental Protection Law of the PRC, Water Pollution Prevention and Control Law of the PRC, Law of the PRC on Prevention and Control of Air Pollution and Environmental Protection Law of Solid Waste Pollution of the PRC. During the year ended 31st December, 2019, the Group was not aware of any material non-compliance with laws and regulations relating to the air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

The Environment and Natural Resources

Although the Group's environment impact and the use of natural resources is limited, the Group still aims to work towards environmental best practice during the activities and operations of the Group in order to minimise any environmental impact.

We also promote environmental awareness among the employees to achieve environmental sustainability. We also assess the environmental risks of our operations and activities from time to time.

SOCIAL

Employment and Labour Practices

Employment

The Group always regards the employees as its most important asset. The Group from time to time reviews its policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare of the employees.

The Company recruits and promotes employees on an open and fair basis without regard to age, nationality, race, religion, sexual orientation, marital status, pregnancy, disability and political beliefs. The Company enters employment contracts with all employees of the Company in the PRC and Hong Kong. The Company also has employee handbook to set out employment policies of the Company.

Competitive remuneration packages are structured to commensurate with individual's job duties, qualification, performance and years of experience. The level of compensation of the employees is reviewed regularly based on the employees' performance and market standard. The Group rewards and recognises the good performance of the employees by providing a competitive remuneration package, performance bonus and share option scheme.

The Group also provides various employee benefits to the employees, such as insurance, medical cover, and subsidised training programme.

We also encourage employees at all levels to express their views and make suggestions to the Company in order to achieve a good and fair working environment.

The Group's practices and policies strictly comply with relevant laws, regulations, and other administrative rules and measures applicable in the PRC and Hong Kong relating to recruitment, labour relations, remuneration, welfare, rights and entitlement of employees.

We also comply with the social security laws and regulations in the PRC and the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The Group paid social insurances and mandatory provident fund contribution for all the staff in accordance with the legal requirements.

Health and Safety

The Group concerns employees' health and occupational safety. We work hard to provide a safe, healthy and hygienic working environment for employees. We comply with the laws and regulations on occupational health and safety in the PRC and Hong Kong. During the year ended 31st December, 2019, the Group did not encounter any major accidents during the operation.

SOCIAL (Continued)

Employment and Labour Practices (Continued)

Development and Training

In order to better serve and realize the needs of the customers, the Company provides training to the employees to improve the work quality and performance of the employees.

The Group has a comprehensive employee training management system. To encourage employee development, the Company provides human resource trainings, including new graduates training, customized training seminars, to help the employees to be equipped with the knowledge and relevant skills, particularly in the areas of real estate industry, and marketing skills.

A training scheme known as “星青年” has been launched for 8 years which recruits graduates and provides thorough training including headquarter’s training, on-site sale and marketing training, one-to-one mentor and trainee training.

The senior employees will act as mentors to the new or junior employees. This arrangement not only can provide guidance and on-the-job training to the new and junior employees, but also enhance the communication and team spirit among all levels of the Company.

Apart from providing trainings, workshops, seminars and conferences according to the needs of the employees, the Company also from time to time provides updated information about the real estate industry and the relevant laws and regulations to the employees which would affect their responsibilities and duties. We believe that providing training to the employees is beneficial to both the personal growth and development of the employees and the sustainability of the Company’s business.

Labour Standards

The Company tolerates neither recruitment of child nor forced labour and has complied with the Labour Contract law of the PRC and the employment law in Hong Kong.

During the recruitment process, the Company checks and verifies the documentation proofs of the job applicant’s identity, academic qualifications and working experience. The Group is committed to labour protection, and provides the employees with reasonable remuneration and various welfare. The Group enters employment contract with each of its employee in accordance with relevant laws and regulations in the PRC and Hong Kong in order to protect the rights of the employees.

Operating Practices

Supply Chain Management

The Group values good relationship and effective communication with suppliers.

While selecting the suppliers, the Company considers and assesses the background, qualification, expertise, past experience, financial status, professionalism, business ethics, integrity, and environmental and social responsibility of the suppliers. The Group manages the supply chain in a socially and environmentally responsible manner. The Group also chooses suppliers that meet the Group’s corporate, environmental and social responsibility requirements.

During the cooperation with the suppliers, the Company has built up continuous communication with suppliers. The Group discusses with the suppliers about the routine operation, strategic cooperation and how to make improvement.

The Group is always improving the supplier management system through continuous quality control, supervision, and assessment. The Company will review the performance of the existing suppliers and may source alternative suppliers if necessary.

SOCIAL (Continued)

Operating Practices (Continued)

Product Responsibility

The Group aims to provide services to its customers by the highest possible standard. The Group has established relevant policies which cover service quality, intellectual property, advertising and privacy.

Regarding service quality, the Company confirms the property information and details with customers to make sure that the property meets the customers' requirements. The Company also actively provides valued-added services to the customers such as mortgage referral and loan financing services. If there is any complaint from customers, the Company immediately assess the complaint, conducts an internal investigation, and finds the solution to settle the problem. The Group has close connection with customers and provides sufficient channels of communication between the customers and the Company.

The Company encourages all employees to protect the "HOPEFLUENT" brand. Employees and developers are encouraged to report any suspected intellectual property rights infringement. The Company will take corresponding anti-infringement actions.

The Company strictly complies with the advertising law of the PRC and Hong Kong. The Group requires that employees of sales department must provide customers with accurate and true information on property being promoted.

Regarding privacy and confidentiality protection, the Company employees are obligated to retain in confidence all information obtained in connection with their employment, including, but not limited to, trade secrets, know-how, client's information and personal data, supplier information and other proprietary and confidential information. We also maintain security systems to prevent the unauthorized access of confidential information.

During the year ended 31st December, 2019, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Hong Kong Intellectual Property Law, Patent Law of the PRC, Trademark Law of the PRC and Copyright Law of the PRC.

Anti-corruption

We do not tolerate bribery, extortion, fraud and money laundering. The Group complies with the Prevention of Bribery Ordinance in Hong Kong and relevant legislation on anti-corruption and anti-bribery in the PRC. The Group has code of conduct and strongly prohibits corruption, and bribery behaviour of the employees. In the cases of conflict of interest or suspected bribery, the employees must declare the conflict of interest and report the matters to the Group's management. Employees are strictly prohibited to use business opportunities, power or personal position for personal interest or benefit.

Community

Community Investment

The Group always makes contribution to the community and society in order to create a harmonious, beautiful and peaceful community.

The Group will also actively encourage employees to take part in volunteering activities to contribute to our society and environment. The Group's Hopefluent Volunteer Team has been established by the staff members from various functions and departments of the Group (including those from its subsidiaries) on a voluntary basis. Now, there are about 120 members in the team. They are committed to care for the elderly, children, farmers and other vulnerable groups in different regions by organizing and participating in different activities, such as "staff mutual funds", "caring veterans", "electrical appliance donation", "purchasing crops" and "love to Qingyuan".

In addition, the Group also concerns about its staff. It advocates green and healthy lifestyle as well as organizes different staff activities regularly, such as yoga, badminton, basketball, football, running and other sports club, the annual spring athletic meet, run for fun and so on. Employees of different branches participate in marathon competitions in Guangzhou, Shenzhen, Dongguan, Zhaoqing, Xiamen, Beijing and other places, to spread the idea of healthy life and work cultures.

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HOPEFLUENT GROUP HOLDINGS LIMITED

合富輝煌集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hopefluent Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 133, which comprise the consolidated statement of financial position as at 31st December, 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Recoverability of accounts receivables</i></p> <p>At 31st December, 2019, the Group's accounts receivables amounted to HK\$1,631 million (2018: HK\$1,790 million) with an allowance for doubtful debts of HK\$99 million (2018: HK\$80 million) as disclosed in note 22 to the consolidated financial statements, representing 31% of the current assets of the Group.</p> <p>Loss allowances for accounts receivables are based on management's estimate of the lifetime expected credit losses ("ECLs") to be incurred, which is estimated by taking into account the credit loss experience, aging of overdue accounts receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.</p> <p>Assessment of the recoverability of accounts receivables and recognition of ECL allowance are inherently subjective and requires significant management judgement, hence, we identified the recoverability of accounts receivables as a key audit matter.</p>	<p>Our procedures in relation to the recoverability of accounts receivables included, amongst others:</p> <ul style="list-style-type: none">• Assessing, on a sample basis, whether items in the accounts receivables report were classified within the appropriate aging bracket by comparing individual items in the report with the relevant invoices;• Considering the appropriateness of the ECL loss allowance recorded against accounts receivables, with reference to the aging of accounts receivables balances, economic conditions, concentration of counterparty risk and past history of debt recovery;• Reviewing subsequent settlement records and challenging management regarding their reasons for not considering a provision against any unsettled past-due balances.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter

How our audit addressed the key audit matter

Recoverability of loan receivables

As at 31st December, 2019, the carrying amount of loan receivables was HK\$781 million, net of allowance on loan receivables of HK\$39 million as disclosed in note 21 to the consolidated financial statements, representing 12% of the total assets of the Group. As at 31st December, 2019, the carrying amounts of loan receivables of HK\$201 million were receivable in more than one year. The loans bear fixed interest rates ranging from 6% to 24% per annum.

Loss allowances for loan receivables are based on management's estimate of the 12 months ("12m") ECL to be incurred, which is estimated by taking into account the credit loss experience, aging of overdue loan receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

Assessment of the recoverability of loan receivables and recognition of ECL allowance are inherently subjective and requires significant management judgement, hence, we identified the recoverability of loan receivables as a key audit matter.

Our procedures in relation to the recoverability of loan receivables included, amongst others:

- Obtaining an understanding on how the allowance on loan receivables is estimated by the management and assessing the management's process in determining the estimated future cash flows of loan receivables;
- Checking the aging analysis, on a sample basis, against repayment terms set out on loan agreements and subsequent settlements of the loan receivables, on a sample basis, to the source documents, including bank statements;
- Identifying any loan receivables with delay in payments during the year from the register of loan receivables and evaluating the management's assessment of the recoverability of each of these loan receivables with reference to the status of each of these individual borrowers and the Group's debt collection actions;
- Assessing the reasonableness of allowance on loan receivables with reference to the credit history including individual's personal credit rating reports, delay in payments, interest settlement records, subsequent settlements and aging analysis of the loan receivables;
- Evaluating the historical accuracy of the management's assessment of impairment for loan receivables, on a sample basis, by examining the actual write-offs, the reversals of previous recorded allowance and new allowances recorded in the current year in respect of loan receivables at the end of the previous financial year; and
- Reviewing the appropriateness of ECL three stage model and ECL allowance against loan receivables and challenging management regarding their reasons for not considering a lifetime ECL against any credit-impaired balances.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Goodwill impairment assessment</i></p> <p>As at 31st December, 2019, the Group had goodwill with carrying amounts of HK\$200 million (2018: HK\$209 million) arising from the acquisition of property real estate agency business (2018: property management and property real estate agency business).</p> <p>Management performs impairment assessment on the amount of goodwill annually, and performs impairment assessment when there is an indication of impairment. For the purpose of assessing impairment, management assessed the recoverable amount of these assets based on higher of its fair value less cost of disposal and value-in-use. These assets were allocated to cash generating units (the "CGUs"), and the recoverable amount of each CGU was determined by management based on value-in-use calculations using cash flow projections.</p> <p>The impairment test involves significant judgements and assumptions by the management underlying the value-in-use calculation.</p> <p>No impairment loss on goodwill was recognised for both years ended 31st December, 2019 and 2018.</p>	<p>Our procedures in relation to the management's impairment assessment included, amongst others:</p> <ul style="list-style-type: none">• Assessing the identification of the related CGUs;• Evaluating and challenging the composition of the Group's cash flows forecasts in each CGU, and the process by which they were drawn up, including testing the underlying value-in-use calculations and comparing them to approved budgets. We noted that the management has followed their clearly documented process for drawing up future cash flow forecasts, which was subject to timely review by the directors and which was consistent with the approved budgets;• Challenging the reasonableness of key assumptions based on our knowledge of the business and industry;• Utilising our valuation specialists' work when considering the appropriateness of the long term growth rate; and• Subjecting the key assumptions to sensitivity analysis. <p>We found the key assumptions made by the management in relation to the value-in-use calculations to be reasonable based on available evidence. The key assumptions have been appropriately disclosed in note 19.</p>

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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 contents of this report.

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

Independent Auditor's Report

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

As part of an audit in accordance with HKSAAs, 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 the Audit Committee 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 the Audit Committee 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.

Independent Auditor's Report

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

From the matters communicated with the directors, 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.

BDO Limited

Certified Public Accountants

Amy Yau Shuk Yuen

Practising Certificate No. P06095

Hong Kong, 30th March, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000 (Restated)
Continuing operations			
Revenue	5	6,076,198	4,878,161
Other income	7	31,647	26,871
Change in fair value on investment properties		(1,537)	9,502
Selling expenses		(4,355,791)	(3,386,398)
Administrative expenses		(1,011,364)	(869,226)
Other gains and losses		(43,940)	(31,436)
Share of results of associates and joint ventures		6,342	1,893
Gain/(loss) on disposal on investment properties		217	(1,303)
Finance costs	8	(60,979)	(36,142)
Profit before tax		640,793	591,922
Income tax expense	9	(177,266)	(166,704)
Profit for the year from continuing operations	10	463,527	425,218
Discontinued operations			
Profit for the period/year from discontinued operations	13	236,558	28,352
Profit for the year		700,085	453,570
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(145,836)	(111,657)
Reclassification of exchange difference in respect of disposal of discontinued operations		3,698	–
Share of other comprehensive income of associates		(370)	–
		(142,508)	(111,657)
Total comprehensive income for the year		557,577	341,913
Profit for the year attributable to:			
Owners of the Company			
Profit for the year from continuing operations		251,832	303,148
Profit for the period/year from discontinued operations		232,489	23,851
Profit for the year attributable to owners of the Company		484,321	326,999
Non-controlling interests			
Profit for the year from continuing operations		211,695	122,070
Profit for the period/year from discontinued operations		4,069	4,501
Profit for the year attributable to non-controlling interests		215,764	126,571
		700,085	453,570

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000 (Restated)
Total comprehensive income for the year attributable to:			
Owners of the Company		391,605	216,698
Non-controlling interests		165,972	125,215
		557,577	341,913
Earnings per share			
Earnings per share from continuing and discontinued operations Basic and diluted	15	HK72.3 cents	HK49.0 cents
Earnings per share from continuing operations Basic and diluted	15	HK37.6 cents	HK45.4 cents

Consolidated Statement of Financial Position

At 31st December, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS			
Investment properties	16	150,291	163,448
Property, plant, equipment	17	243,698	275,230
Right-of-use assets	18	191,906	–
Deposits for acquisition of investment properties		700	56,065
Goodwill	19	200,285	209,378
Interests in associates and joint ventures	20	12,882	12,934
Loan receivables	21	201,494	423,047
Deposits and other receivables	23	79,807	–
Deferred tax assets	31	33,890	29,609
		1,114,953	1,169,711
CURRENT ASSETS			
Accounts receivables	22	1,630,534	1,789,776
Loan receivables	21	579,743	508,358
Deposits, other receivables and prepayments	23	872,594	624,567
Amount due from a joint venture	24	12,764	38,874
Amount due from an associate	24	64	18
Financial assets at fair value through profit or loss ("FVTPL")	25	5,646	7,395
Pledged bank deposits	26	–	11,494
Bank balances and cash	26	2,163,397	1,723,391
		5,264,742	4,703,873
CURRENT LIABILITIES			
Payables and accruals	27	498,900	518,746
Contract liabilities	28	469,661	430,489
Lease liabilities	18	68,696	–
Amount due to a joint venture	24	–	2,851
Tax liabilities		269,721	234,390
Bank and other borrowings	29	482,745	646,004
		1,789,723	1,832,480
NET CURRENT ASSETS		3,475,019	2,871,393
TOTAL ASSETS LESS CURRENT LIABILITIES		4,589,972	4,041,104

Consolidated Statement of Financial Position

At 31st December, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
CAPITAL AND RESERVES			
Share capital	30	6,741	6,680
Share premium and reserves		3,262,568	2,930,817
Equity attributable to owners of the Company		3,269,309	2,937,497
Non-controlling interests		1,103,269	989,498
TOTAL EQUITY		4,372,578	3,926,995
NON-CURRENT LIABILITIES			
Lease liabilities	18	128,183	–
Deferred tax liabilities	31	55,691	69,511
Other borrowings	29	33,520	44,598
		217,394	114,109
		4,589,972	4,041,104

The consolidated financial statements on pages 46 to 133 were approved and authorised for issue by the Board of Directors on 30th March, 2020 and are signed on its behalf by:

Fu Wai Chung
DIRECTOR

Lo Yat Fung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2019

	Attributable to owners the Company									
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note a)	Statutory surplus reserve HK\$'000 (note b)	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2018	6,680	661,022	36,985	113,762	83,181	5,527	1,908,357	2,815,514	26,528	2,842,042
Other comprehensive income for the year	-	-	-	-	(110,301)	-	-	(110,301)	(1,356)	(111,657)
Profit for the year	-	-	-	-	-	-	326,999	326,999	126,571	453,570
Total comprehensive income for the year	-	-	-	-	(110,301)	-	326,999	216,698	125,215	341,913
Dividends recognised as distribution (note 14)	-	(93,520)	-	-	-	-	-	(93,520)	-	(93,520)
Acquisition of business (note 32)	-	-	-	-	-	-	-	-	282,619	282,619
Deemed disposal of partial interests in a subsidiary (note 32)	-	-	-	-	(1,195)	-	-	(1,195)	555,136	553,941
Transfer	-	-	-	2,818	-	-	(2,818)	-	-	-
At 31st December, 2018	6,680	567,502	36,985	116,580	(28,315)	5,527	2,232,538	2,937,497	989,498	3,926,995
Other comprehensive income for the year	-	-	-	-	(92,716)	-	-	(92,716)	(49,792)	(142,508)
Profit for the year	-	-	-	-	-	-	484,321	484,321	215,764	700,085
Total comprehensive income for the year	-	-	-	-	(92,716)	-	484,321	391,605	165,972	557,577
Dividends recognised as distribution (note 14)	-	(73,756)	-	-	-	-	-	(73,756)	-	(73,756)
Issue of scrip shares	61	13,902	-	-	-	-	-	13,963	-	13,963
Dividends declared and paid to non-controlling interests	-	-	-	-	-	-	-	-	(62,605)	(62,605)
Disposal of discontinued operations (note 33)	-	-	(7,670)	(8,432)	-	-	16,102	-	-	-
Capital contributed from non-controlling interests	-	-	-	-	-	-	-	-	10,404	10,404
Transfer	-	-	-	14,329	-	-	(14,329)	-	-	-
At 31st December, 2019	6,741	507,648	29,315	122,477	(121,031)	5,527	2,718,632	3,269,309	1,103,269	4,372,578

Note a: Special reserve

The special reserve of the Group includes (i) an amount of HK\$5,760,000 (2018: HK\$5,760,000) representing the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation in 2004; (ii) an amount of HK\$13,135,000 (2018: HK\$13,135,000) representing the equity-settled share-based payment expenses; (iii) an amount of HK\$nil. (2018: HK\$7,670,000) representing the consideration received from the deemed disposal of equity interests in Asia Asset Real Estate Services (Guangzhou) Co., Ltd. (formerly known as Asia Asset Property Services (Guangzhou) Co., Ltd.) ("Asia Asset (Guangzhou)") without loss of control; and (iv) an amount of HK\$10,420,000 representing the difference between the consideration paid in acquisition of additional interests in subsidiaries from the non-controlling shareholders and the adjustment to the non-controlling interests in subsidiaries net with the translation reserve and retained profits during the year ended 31st December, 2017.

Note b: Statutory surplus reserve

As stipulated by the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's subsidiaries in the PRC shall set aside 10% of their profit after taxation for the statutory surplus reserve until the statutory surplus reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can only be used, upon approval by the board of directors of the PRC subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from continuing operations		640,793	591,922
Profit before tax from discontinued operations		243,873	38,504
		884,666	630,426
Adjustments for:			
Depreciation of property, plant and equipment		44,259	55,081
Depreciation of right-of-use assets		63,275	–
Allowances on accounts receivables		21,152	20,699
Provision/(reversal) of allowances on loan receivables		17,488	(1,568)
Finance costs		61,101	36,143
Share of results of associates and joint ventures		(6,342)	(1,893)
Change in fair value of investment properties		1,537	(9,502)
Loss on disposal and write-off of property, plant and equipment		519	617
(Gain)/loss on disposal of investment properties		(217)	1,303
Gain on disposal of a joint venture		–	(7,089)
Loss on disposal of financial assets at FVTPL		303	903
Gain on disposal of discontinued operations	33	(212,684)	–
Fair value changes of financial assets at FVTPL		4,478	5,944
Interest income		(15,648)	(14,471)
Operating cash flows before movements in working capital		863,887	716,593
Decrease/(increase) in accounts receivables		15,519	(548,909)
Decrease in loan receivables		112,422	178,605
(Increase)/decrease in deposits, other receivables and prepayments		(271,628)	65,077
Decrease/(increase) in financial assets at FVTPL		5,279	(7,393)
Increase in payables and accruals		423,952	197,377
Cash generated from operations		1,149,431	601,350
PRC income tax paid		(234,906)	(116,788)
NET CASH GENERATED FROM OPERATING ACTIVITIES		914,525	484,562
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		15,648	14,471
Proceeds from disposal of assets classified as held for sale		–	31,140
Proceeds from disposal of property, plant and equipment		20,582	20,350
Proceeds from disposal of Investment properties		24,572	12,449
Capital injection to a joint venture		–	(2,873)
Capital injection to an associate		(234)	(563)
Repayment from/(advance to) a joint venture		25,265	(34,000)
(Decrease)/increase in amount due to a joint venture		(2,789)	2,851
Dividends received from an associate		2,238	–
Deposits paid for acquisition of investment properties		(700)	(4,826)
Purchase of investment properties		(12,456)	(46,748)
Purchase of property, plant and equipment		(35,731)	(94,688)
Net cash inflow on disposal of discontinued operations	33	5,545	–
Net cash inflow on acquisition of business	32	–	424,979
Decrease/(increase) in pledged bank deposits		11,244	(11,494)
NET CASH GENERATED FROM INVESTING ACTIVITIES		53,184	311,048

Consolidated Statement of Cash Flows

For the year ended 31st December, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		841,137	1,028,486
Repayment of bank and other borrowings		(1,001,960)	(1,168,454)
Capital contribution from non-controlling interests		10,404	–
Payment of lease liabilities		(70,113)	–
Interest paid		(48,750)	(36,143)
Dividends paid to non-controlling interests		(62,605)	–
Dividends paid		(59,793)	(93,520)
NET CASH USED IN FINANCING ACTIVITIES		(391,680)	(269,631)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,723,391	1,331,323
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(136,023)	(133,911)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		2,163,397	1,723,391
Note:			
Interest received included in operating activities		147,075	161,495

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

1. GENERAL

Hopefluent Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of its registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi (“RMB”). The directors selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 45.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) Adoption of new or revised HKFRSs — effective 1st January, 2019

HKFRS 16	Leases
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
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015–2017 cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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

A. HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st January, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1st January, 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17. Since the Group recognised the right-of-use assets at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments, there was no impact to the retained earnings.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1st January, 2019.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

A. HKFRS 16 Leases (Continued)

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g. laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1st January, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1st January, 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1st January, 2019. The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

The impacts arising from the adoption of HKFRS 16 as at 1st January, 2019 are as follows:

	HK\$'000
Assets	
Increase in right-of-use assets	243,265
Increase in total assets	243,265
Liabilities	
Increase in lease liabilities	243,265
Increase in total liabilities	243,265

The reconciliation of operating lease commitment to lease liabilities as at 1st January, 2019 is set out below:

	HK\$'000
Operating lease commitment at 31st December, 2018	776,679
Weighted average incremental borrowing rate as at 1st January, 2019	5%
Discounted using the incremental borrowing rate at 1st January, 2019	738,082
Less: Recognition exemption for leases which are less than 12 months of lease term at transition	(494,817)
Lease liabilities as at 1st January, 2019	243,265

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

A. HKFRS 16 Leases (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31st December, 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1st January, 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group’s policy for investment properties.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the consolidated financial statements

The movements of carrying amounts of the Group’s right-of-use assets and lease liabilities during the year are set out below:

	Right-of-use assets	Lease liabilities
	HK\$’000	HK\$’000
As at 1st January, 2019	243,265	243,265
Exchange adjustment	(5,790)	(5,905)
Additions	20,238	20,238
Depreciation expense	(63,275)	–
Disposal of discontinued operations (note 33)	(2,532)	(2,957)
Interest expense	–	12,351
Payments	–	(70,113)
As at 31st December, 2019	191,906	196,879

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

B. Amendments to HKFRS 9 *Prepayment Features with Negative Compensation*

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (“FVOCI”) if specified conditions are met — instead of at FVTPL.

C. Amendments to HKAS 19 *Plan Amendment, Curtailment or Settlement*

Past service cost (or the gain or loss on settlement)

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

HKAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

Current service cost and net interest on the net defined benefit liability (asset)

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under HKAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

Transition and effective date

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to HKAS 19 are first applied. The amendments to HKAS 19 must be applied to annual periods beginning on or after 1st January, 2019, but they can be applied earlier if an entity elects to do so.

D. HK(IFRIC) – Int 23 *Uncertainty over Income Tax Treatments*

The interpretation supports the requirements of HKAS 12 “Income Taxes” by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

The initial adoption of this interpretation has no significant impact on the Group’s financial statements.

E. Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3 *Business Combinations*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

F. Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11 *Joint Arrangements*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

G. Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12 *Income Taxes*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

H. Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23 *Borrowing Costs*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

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

¹ Effective for annual periods beginning on or after 1st January, 2020

² Effective for annual periods beginning on or after 1st January, 2021

³ The amendments were originally intended to be effective for periods beginning on or after 1st January, 2018. The effective date had now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued) New or revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRSs and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 *Insurance Contracts*

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at FVTPL which are measured at fair values 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 1st 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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 reassesses 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 that 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 and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Business combinations (Continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date (except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value). Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) 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.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued) Investments in associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of tangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU 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 CGU, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs 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 CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 CGUs. 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 CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) 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 CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to customers.

Control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if:

- the consumer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group 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.

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

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

Revenue from real estate agency services is recognised at a point in time when the service is rendered and (a) the property buyer has executed the sales and purchase agreement and made the required down-payment to the relevant property developers or (b) the sales and purchase agreement has been registered with the relevant government authorities according to the terms and conditions stated in different agency contracts. Based on terms and conditions in agency contracts and customary industry practice, real estate agency service income is not required to return to property sellers when the property buyers have made the required payments to the relevant property developers which became non-refundable.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from mortgage referral and other financial service income is recognised at a point in time when the service is rendered and the individual parties or entities have signed legally binding agreements with customers, since only by that time the Group has an enforceable right to payment for the services performed.

Revenue from provision of property management services is recognised over time because the customer simultaneously receives and consumes the benefits of property management services provided by the Group. It is recognised based on monthly statement issued by the Group.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

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

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customers.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options/shares granted at the grant date is recognised as an expense in full at the grant date when the share options/shares granted vest immediately, with a corresponding increase in equity (share options reserve).

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

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the supply of services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Effective from 1st January, 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values adjusted to exclude any prepaid or accrued operating lease income.

All of the Group's land and buildings and rights-of-use assets (where the Group is a lessee) held to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasing

Definition of a lease

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as a lessee (Continued)

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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Lease liabilities (Continued)

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

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.

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 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.

The Group as a lessee (prior to 1st 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.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, 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 in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Upon application of HKFRS 16 on 1st January, 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

The Group as a lessor (upon application of HKFRS16 in accordance with transition of note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

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 exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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 the translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in 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.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective 1st 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items 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 the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. 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 base 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 difference 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 goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 the 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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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 are related to income taxes levied by the same taxable entity by the same taxation authority.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 used 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. 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 purchases or sales of financial assets are recognised and derecognised on a trade basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace concerned.

Financial assets and financial liabilities are initially measured at fair value. 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 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 FVTPL 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/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

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.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI 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 dividend earned on the financial asset and is included in the "other gains and losses" line item.

(ii) *Equity instruments designated as at FVOCI*

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts and loan receivables, other receivables, amounts due from a joint venture/an associate, pledged bank deposits and bank balances) 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 recognises lifetime ECL for accounts receivables. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Unless identified at initial recognition, the management considered loan receivables are unimpaired and without significant increase in credit risk on which a 12m ECL is recognised. Loan receivables are deemed to have suffered a significant increase in credit risk since initial recognition when they are 30 days past due and are transferred from stage 1 to stage 2 on which a lifetime ECL is recognised. For loan receivables past due over 151 days, they are considered to be credit-impaired and are transferred from stage 2 to stage 3.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. 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 Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flows obligation. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. 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 collateral held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 365 days 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:

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

(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 rental receivables, when the amounts are over 2 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.

(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.

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 rental receivables where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only 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.

On derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the FVOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including payables and accruals, amount due to a joint venture and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Related parties

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

3. 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 a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

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

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of accounts and loan receivables

The management estimates the amount of loss allowance for ECL on accounts and loan receivables based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instruments. For the accounts receivables, the Group calculates the lifetime ECL based on a provision matrix. Using a provision matrix requires management judgment in making assumptions on the historical observed default rates and forward-looking estimates. The assessment of the credit risk of the respective financial instrument involves high degrees of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated which is higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise. As at 31st December, 2019, the carrying amount of goodwill was HK\$200,285,000 (2018: HK\$209,378,000). Details of the recoverable amount calculation are disclosed in note 19.

Fair value measurements and valuation processes

The Group's certain assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties and certain types of financial instruments. Notes 16 and 41c provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company 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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment properties are depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties as the Group is subject to enterprise income tax ("EIT") and land appreciation tax ("LAT") on disposal of its investment properties.

De-facto control

De-facto control exists when the size of an entity's own voting right relative to the size and disbursement of other vote holders give the entity the practical ability to unilaterally direct the relevant activities of the investee. Although the Group holds 22.4% of voting rights in Tibet Poly Aijia Real Properties Brokerage Limited ("Tibet Poly Aijia"), according to the articles of association of Tibet Poly Aijia, all parties contractually agreed all board decisions rest on the sole discretion of Poly Real Estate Investment Consultancy Co., Ltd. ("Poly Consultancy"), an indirect subsidiary of the Group, therefore giving the Group control over Tibet Poly Aijia. The directors has determined that the Group has the practical ability to unilaterally direct the relevant activities of Tibet Poly Aijia, and has consolidated the entity as a subsidiary with a 77.6% non-controlling interest.

5. REVENUE

Revenue represents agency commission in respect of real estate agency services, property management services income (discontinued), financial services income and interest income from loan receivables, net of business tax and other taxes. An analysis of the Group's revenue for the year is as follows:

	2019 HK\$'000	2018 HK\$'000 (Restated)
Continuing operations		
Agency commission	5,861,299	4,704,918
Finance income		
Interest income from loan receivables	146,537	169,369
Financial services income	68,362	3,874
	6,076,198	4,878,161
Discontinued operations (note)		
Property management services income (note 13)	341,790	571,461

Note: The comparative revenue and related segment note have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

6. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

The Group has the following continuing operating segments during the year. These segments are managed separately. No operating segments have been aggregated to the following reportable segments.

- Property real estate agency is the provision of first hand real estate services to property developers and secondary real estate services;
- Financial services is the provision of mortgage referral and loan financing services to individuals or companies.

The Group was involved in the following segment which was discontinued during the year ended 31st December, 2019.

- Property management is the provision of building management services to property owners and residents.

	2019 HK\$'000	2018 HK\$'000 (Restated)
Disaggregation of revenue		
Revenue from contracts with customers within the scope of HKFRS 15		
Agency commission	5,861,299	4,704,918
Property management services income (discontinued)	341,790	571,461
	6,203,089	5,276,379
Revenue from other sources		
Finance income		
Interest income from loan receivables	146,537	169,369
Financial services income	68,362	3,874
	6,417,988	5,449,622

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

6. SEGMENT INFORMATION (Continued)

	2019 HK\$'000	2018 HK\$'000 (Restated)
Timing of revenue recognition		
At a point in time		
Agency commission	5,861,299	4,704,918
Financial services income	68,362	3,874
Over-time		
Interest income from loan receivables	146,537	169,369
Property management services income (discontinued)	341,790	571,461
	6,417,988	5,449,622

The following is an analysis of the Group's revenue and results by geographical markets.

For the year ended 31st December, 2019

	Continuing Operations			Discontinued Operations	
	Property real estate agency HK\$'000	Financial services HK\$'000	Sub-total HK\$'000	Property management HK\$'000	Total HK\$'000
The PRC	5,853,423	214,899	6,068,322	341,790	6,410,112
Australia	7,876	-	7,876	-	7,876
	5,861,299	214,899	6,076,198	341,790	6,417,988

For the year ended 31st December, 2018

	Continuing Operations			Discontinued Operations	
	Property real estate agency HK\$'000 (Restated)	Financial services HK\$'000 (Restated)	Sub-total HK\$'000	Property management HK\$'000 (Restated)	Total HK\$'000 (Restated)
The PRC	4,697,880	173,243	4,871,123	571,461	5,442,584
Australia	7,038	-	7,038	-	7,038
	4,704,918	173,243	4,878,161	571,461	5,449,622

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

6. SEGMENT INFORMATION (Continued)

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

For the year ended 31st December, 2019

	Continuing Operations			Discontinued Operations	
	Property real estate agency HK\$'000	Financial services HK\$'000	Sub-total HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	5,861,299	214,899	6,076,198	341,790	6,417,988
Segment profit	684,701	116,658	801,359	27,776	829,135
Other income			31,647	2,502	34,149
Central administrative costs			(92,316)	(4,160)	(96,476)
Other gains and losses			(43,940)	5,193	(38,747)
Gain on disposal of investment properties			217	–	217
Gain on disposal of discontinued operations			–	212,684	212,684
Share of results of associates and joint ventures			6,342	–	6,342
Decrease in fair value of investment properties			(1,537)	–	(1,537)
Finance costs			(60,979)	(122)	(61,101)
Profit before tax			640,793	243,873	884,666

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

6. SEGMENT INFORMATION (Continued)

For the year ended 31st December, 2018

	Continuing Operations			Discontinued Operations	
	Property real estate agency HK\$'000 (Restated)	Financial services HK\$'000 (Restated)	Sub-total HK\$'000	Property management HK\$'000 (Restated)	Total HK\$'000
Segment revenue	4,704,918	173,243	4,878,161	571,461	5,449,622
Segment profit	618,745	92,621	711,366	38,329	749,695
Other income			26,871	2,067	28,938
Central administrative costs			(88,829)	(1,891)	(90,720)
Other gains and losses			(31,436)	–	(31,436)
Loss on disposal of investment properties			(1,303)	–	(1,303)
Share of results of associates and joint ventures			1,893	–	1,893
Increase in fair value of investment properties			9,502	–	9,502
Finance costs			(36,142)	(1)	(36,143)
Profit before tax			591,922	38,504	630,426

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Total segment revenue represents the Group's consolidated turnover as set out in the consolidated statement of profit or loss and other comprehensive income. Segment profit represents the profit earned by each segment without allocation of other income, central administrative costs including directors' emoluments, other gains and losses, gain/(loss) on disposal of investment properties, gain on disposal of discontinued operations, share of results of associates and joint ventures, change in fair value of investment properties and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly reviewed by the chief operating decision maker, the measure of total assets and liabilities for each operating segment is therefore not presented.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

6. SEGMENT INFORMATION (Continued)

Other segment information

2019

	Continuing Operations		Discontinued Operations		Total HK\$'000
	Property real estate agency HK\$'000	Financial services HK\$'000	Property management HK\$'000	Unallocated HK\$'000	
Additions to non-current assets	93,706	56	8,112	–	101,874
Depreciation of property, plant and equipment	42,676	317	949	317	44,259
Depreciation of right-of-use assets	53,882	7,750	1,643	–	63,275
Allowance on accounts receivables	21,152	–	–	–	21,152
Allowances on loan receivables	–	17,488	–	–	17,488
Loss on disposal and written-off of property plant and equipment	519	–	–	–	519

2018

	Continuing Operations		Discontinued Operations		Total HK\$'000
	Property real estate agency HK\$'000	Financial services HK\$'000	Property management HK\$'000	Unallocated HK\$'000	
Additions to non-current assets	130,202	1,944	9,290	–	141,436
Depreciation of property, plant and equipment	52,665	393	1,714	309	55,081
Allowance on accounts receivables	19,098	–	1,601	–	20,699
Reversal of allowances on loan receivables	–	(1,568)	–	–	(1,568)
Loss on disposal and written-off of property plant and equipment	461	94	62	–	617

Geographical information

The Group's businesses are located in Hong Kong, Australia and other parts of the PRC. Majority of the Group's property real estate agency, financial services and property management businesses are located in the PRC. The Group's revenue is substantially derived from customers located in the PRC.

At the end of each reporting period, the non-current assets are substantially located in the PRC.

Information about major customers

There was no revenue from any customer that contributes over 10% of total revenue of the Group for both years.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

7. OTHER INCOME

	2019 HK\$'000	2018 HK\$'000 (Restated)
Continuing operations		
Rental income	10,159	6,106
Other services income	6,888	8,361
Bank interest income	14,600	12,404
	31,647	26,871

8. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000 (Restated)
Continuing operations		
Interests on:		
Bank borrowings	2,752	3,632
Other borrowings	45,998	32,510
Lease liabilities	12,229	–
	60,979	36,142

9. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000 (Restated)
Continuing operations		
Current tax:		
PRC EIT	191,157	185,273
Withholding income tax on distribution of profit of PRC subsidiaries	270	497
Deferred tax	(14,161)	(19,066)
	177,266	166,704

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards. Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Certain of the Group's subsidiaries operating in the PRC are required to pay the PRC income tax on a deemed profit basis at a predetermined tax rate of 2.5% (2018: 2.5%) on turnover during the current year. The predetermined tax rate is agreed and determined between each PRC subsidiary and respective tax bureau of local government and is subject to annual review and renewal.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

9. INCOME TAX EXPENSE (Continued)

Under Australian tax law, the tax rate used for the year is 30% (2018: 30%) on taxable profits on Australian incorporated entities. No tax provision has been made in the consolidated financial statements as there is no assessable profit arises in Australia for both years.

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1st January, 2008.

On 21st 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 28th 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%.

No Hong Kong profits tax has been provided in both years in the consolidated financial statements as the Group has no estimated assessable profits arising in Hong Kong for both years.

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

	2019 HK\$'000	2018 HK\$'000 (Restated)
Continuing operations		
Profit before tax	640,793	591,922
Tax at the applicable rate of 25%	160,198	147,981
Tax effect of share of results of associates and joint ventures	(1,586)	(473)
Tax effect of expenses not deductible for tax purpose	8,273	10,236
Tax effect of income not taxable for tax purpose	(3,547)	(1,957)
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	(646)	(136)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(6,817)	–
Tax effect of tax loss not recognised	28,045	14,458
Utilisation of tax loss previously not recognised	(6,714)	(4,754)
Effect of LAT	(210)	852
PRC withholding income tax	270	497
Income tax expense for the year	177,266	166,704

Details of deferred are set out in note 31.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

10. PROFIT FOR THE YEAR

	2019 HK\$'000	2018 HK\$'000 (Restated)
Profit for the year from continuing operations has been arrived at after charging/(crediting):		
Directors' remuneration, including retirement benefits scheme contributions (note 11)	10,992	11,322
Other staff costs	3,209,558	2,671,751
Other retirement benefits scheme contributions	274,818	231,804
Total staff costs	3,495,368	2,914,877
Auditor's remuneration	4,380	3,980
Depreciation charges		
Property, plant and equipment (note 17)	43,310	53,367
Right-of-use assets (note 18)	61,632	–
	104,942	53,367
Allowances on accounts receivables (including in other gains and losses)	21,152	19,098
Provision/(reversal) of allowances on loan receivables (included in other gains and losses)	17,488	(1,568)
Loss on disposal and written-off of property, plant and equipment (included in other gains and losses)	519	555
Loss on fair value changes of financial assets at FVTPL (included in other gains and losses)	303	903
Loss on disposal of financial assets at FVTPL (included in other gains and losses)	4,478	5,944
Gain on disposal of investment in a joint venture (included in other gains and losses) (note 20)	–	(7,089)

Note: The Group has initially applied HKFRS 16 at 1st January, 2019. The Group used the modified retrospective approach when initially applying HKFRS 16. Under this approach, comparative information is not restated. In applying HKFRS 16, in relation to the leases that were classified as operating leases, the Group recognises depreciation and interest cost, instead of operating lease expense. During the year ended 31st December, 2019, in relation to those leases, the Group recognised approximately HK\$61,632,000 of depreciation charges and HK\$12,229,000 of additional interest cost from leases.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

11. DIRECTORS' EMOLUMENTS (INCLUDING CHIEF EXECUTIVES)

Directors' and chief executives' remuneration for both years, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance is as follows:

For the year ended 31st December, 2019

	Executive Directors				Independent Non-executive Directors			Non-executive Director	Total HK\$'000
	Mr. Fu Wai Chung HK\$'000	Ms. Ng Wan HK\$'000	Ms. Fu Man HK\$'000	Mr. Lo Yat Fung HK\$'000	Mr. Ng Keung HK\$'000	Mr. Lam King Pui HK\$'000	Mrs. Wong Law Kwai Wah, Karen HK\$'000	Mr. Mo Tianquan HK\$'000	
Fees	-	-	-	-	120	228	300	-	648
Salaries and other benefits	2,880	2,280	2,280	2,850	-	-	-	-	10,290
Retirement benefits scheme contributions	-	18	18	18	-	-	-	-	54
Total emoluments	2,880	2,298	2,298	2,868	120	228	300	-	10,992

For the year ended 31st December, 2018

	Executive Directors				Independent Non-executive Directors			Non-executive Director	Total HK\$'000
	Mr. Fu Wai Chung HK\$'000	Ms. Ng Wan HK\$'000	Ms. Fu Man HK\$'000	Mr. Lo Yat Fung HK\$'000	Mr. Ng Keung HK\$'000	Mr. Lam King Pui HK\$'000	Mrs. Wong Law Kwai Wah, Karen HK\$'000	Mr. Mo Tianquan HK\$'000	
Fees	-	-	-	-	120	228	300	-	648
Salaries and other benefits	2,877	2,580	2,313	2,850	-	-	-	-	10,620
Retirement benefits scheme contributions	-	18	18	18	-	-	-	-	54
Total emoluments	2,877	2,598	2,331	2,868	120	228	300	-	11,322

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group, the non-executive director's emolument shown above was for his service as director of the Company and the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The Group also provided rent-free accommodation to Mr. Fu Wai Chung for the years ended 31st December, 2019 and 2018. The estimated monetary value of the rental involved, amounted to HK\$840,000 (2018: HK\$840,000).

For both 2019 and 2018, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both 2019 and 2018.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, four (2018: four) were directors of the Company, whose emoluments are included in note 11 above. The emoluments of the remaining individual was as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other benefits	1,377	1,357
Retirement benefits contributions	41	9
	1,418	1,366

13. DISCONTINUED OPERATIONS

On 10th July, 2019, the Vendor (a wholly-owned subsidiary of the Group) entered into the Sale and Purchase Agreement (the "SPA") pursuant to which the Group has agreed to sell the entire issued share capital of Sino Estate Holdings Limited, a wholly-owned subsidiary, and its subsidiaries (together the "Target Group"), to an independent third party (the "Purchaser"), for a consideration of HK\$358,424,000. The principal activity of the Target Group is provision of property management services.

The transaction was completed on 31st July, 2019 (the "Date of Disposal"). The carrying amounts of assets and liabilities of the Target Group at the Date of Disposal are disclosed in note 33 to the financial statements.

The results of the discontinued operations for the relevant period, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	1st January, 2019 to 31st July, 2019 (the Date of Disposal) HK\$'000	1st January, 2018 to 31st December, 2018 HK\$'000
Revenue	341,790	571,461
Other income	2,502	2,067
Selling expenses	(284,448)	(474,732)
Administrative expenses	(33,726)	(60,291)
Other gains and losses	5,193	–
Finance costs	(122)	(1)
Profit before tax	31,189	38,504
Income tax expense	(7,315)	(10,152)
Profit for the period/year from discontinued operations	23,874	28,352
Gain on disposal of discontinued operations, net of tax (note 33)	212,684	–
	236,558	28,352
Profit attributable to owners of the Company from discontinued operations	232,489	23,851
Profit attributable to non-controlling interests of the Company from discontinued operations	4,069	4,501
	236,558	28,352

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

13. DISCONTINUED OPERATIONS (Continued)

	1st January, 2019 to 31st July, 2019 (the Date of Disposal) HK\$'000	1st January, 2018 to 31st December, 2018 HK\$'000
Profit for the period/year from discontinued operations has been arrived at after charging:		
Other staff costs	120,347	173,531
Other retirement benefits scheme contributions	15,602	26,315
	135,949	199,846
Depreciation of property, plant and equipment	949	1,714
Depreciation of right-of-use assets	1,643	–
Allowance on accounts receivables	–	1,601
Loss on disposal and written-off of property, plant and equipment	–	62
Cash flow from discontinued operations		
Net cash generated from operating activities	269	29,869
Net cash used in investing activities	(2,981)	(1,370)
Net cash used in financing activities	(17,600)	(800)
Net cash (decrease)/increase in cash and cash equivalents	(20,312)	27,699
Effect of foreign exchange rate changes	(8,894)	(15,751)
Net cash (outflow)/inflow	(29,206)	11,948

For the purpose of presenting the above discontinued operations, the comparative consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

14. DIVIDENDS

	2019 HK\$'000	2018 HK\$'000
Dividends approved and paid during the year:		
2019 Interim — HK4.5 cents per share (2018: 2018 Interim — HK4.5 cents per share)	30,336	30,060
2018 Final — HK6.5 cents per share (2018: 2017 Final — HK9.5 cents per share)	43,420	63,460
	73,756	93,520

Subsequent to the end of reporting period, the final dividend of HK8 cents per share in respect of the year ended 31st December, 2019 (2018: final dividend of HK6.5 cents per share in respect of the year ended 31st December, 2018), in an aggregate amount of HK\$53,932,000 (2018: HK\$43,420,000), has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The final dividend proposed after the end of the reporting period has not been recognised as liabilities in these consolidated financial statements.

During the year, share dividend alternatives were offered in respect of the 2018 final dividends. These share dividend alternatives were accepted by some ordinary shareholders, as follows:

	2019 Interim HK\$'000	2018 Final HK\$'000
Dividends:		
Cash	30,336	29,457
Ordinary share alternatives	—	13,963
	30,336	43,420

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

15. EARNINGS PER SHARE

For continuing and discontinued operations

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

Earnings

	2019 HK\$'000	2018 HK\$'000
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	484,321	326,999

Number of shares

	2019 '000	2018 '000
Weighted average number of ordinary shares in issue	670,105	667,999

There are no potential dilutive shares in issue during both years ended 31st December, 2019 and 2018.

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

For continuing operations

	2019 HK\$'000	2018 HK\$'000
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	484,321	326,999
Less: Profit for the period/year from discontinued operations	(232,489)	(23,851)
Earnings for the purpose of per share from continuing operations	251,832	303,148

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

For discontinued operations

Basic and diluted earnings per share for the discontinued operation is HK34.7 cents per share (2018: HK3.6 cents per share, based on the profit for the year from discontinued operations of HK\$232,489,000 (2018: HK\$23,851,000) and the denominators detailed above for both basic and diluted earnings per share.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

16. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1st January, 2018	94,060
Exchange adjustments	(4,273)
Additions	46,748
Acquisition of business (note 32)	31,163
Net increase in fair value recognised in profit or loss	9,502
Disposals	(13,752)
At 31st December, 2018 and 1st January, 2019	163,448
Exchange adjustments	(4,563)
Additions	66,143
Disposals	(24,355)
Disposals of discontinued operations (note 33)	(34,182)
Net decrease in fair value recognised in profit or loss	(1,537)
Transfer to property, plant and equipment (note 17)	(14,663)
At 31st December, 2019	150,291

	2019 HK\$'000	2018 HK\$'000
Unrealised (loss)/gain on property revaluation included in profit or loss (included in change in fair value of investment properties)	(1,537)	9,502

The investment properties of the Group are held under medium term land use rights in the PRC.

All of the Group's properties held to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties. Certain investment properties of HK\$14,663,000 were transferred to property, plant and equipment upon changing to administrative purpose for office premises use during the year.

During the year ended 31st December, 2019, rental income of HK\$10,159,000 (2018: HK\$6,106,000) and rental yield of 6.76% (2018: 3.74%) were generated from the investment properties.

There were no transfer into or out of Level 3 during the year.

The fair values of the Group's investment properties at 31st December, 2019 and 2018 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited ("BMI"), an independent qualified valuer not connected to the Group. BMI is a member of the Institute of Valuers. The fair value was determined based on the direct comparison approach, where assuming sales in their existing states with the benefit of vacant possession and by making reference to market evidence of transaction prices for similar properties in the same locations and conditions. There has been no change from the valuation technique used in prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use, which does not differ from their actual use.

One of the key inputs used in valuing the investment properties was the market price per square meter using direct market comparable and taking into account of the differences between the investment properties and the comparable in terms of age, time, location, floor level and other relevant factors, ranging from RMB11,000 to RMB188,000 (2018: ranging from RMB11,000 to RMB66,000) per square meter. An increase in the market price per square meter will result in a same level increase in fair value of the investment properties, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

16. INVESTMENT PROPERTIES (Continued)

	Valuation technique	Key inputs	Sensitivity
Residential units			
Guangdong	Direct comparison	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature and location of the property, which is averagely HK\$64,000 (2018: HK\$48,000) per square metre ("sqm")	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.
Commercial units			
Guangdong	Direct comparison	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature and location of the property, which is averagely HK\$51,000 (2018: HK\$44,500) per sqm.	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.
Sichuan	Direct comparison	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature and location of the property, which is averagely HK\$24,000 (2018: HK\$21,000) per sqm.	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.
Beijing	Direct comparison	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature and location of the property, which is averagely HK\$42,000 (2018:HK\$43,000) per sqm.	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Office equipment, furnitures and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1st January, 2018	54,624	498,135	154,188	66,858	773,805
Exchange adjustments	(2,361)	(20,495)	(6,192)	(2,544)	(31,592)
Acquisition of business (note 32)	9,255	–	10,654	440	20,349
Additions	15,559	61,097	7,608	10,424	94,688
Disposals and written off	(438)	(16,161)	(6,599)	(8,145)	(31,343)
At 31st December, 2018	76,639	522,576	159,659	67,033	825,907
Exchange adjustments	(2,215)	(14,441)	(4,243)	(1,625)	(22,524)
Additions	5,936	5,477	17,123	7,195	35,731
Transfer from investment properties (note 16)	14,663	–	–	–	14,663
Disposal of discontinued operations (note 33)	(3,675)	(2,399)	(5,050)	(8,038)	(19,162)
Disposals and written off	(9,846)	(8,684)	(22,743)	(5,252)	(46,525)
At 31st December, 2019	81,502	502,529	144,746	59,313	788,090
DEPRECIATION					
At 1st January, 2018	18,113	403,069	70,671	35,646	527,499
Exchange adjustments	(752)	(16,495)	(3,000)	(1,280)	(21,527)
Provided for the year	2,134	27,955	17,716	7,276	55,081
Disposals and written off	–	(73)	(6,482)	(3,821)	(10,376)
At 31st December, 2018	19,495	414,456	78,905	37,821	550,677
Exchange adjustments	(596)	(11,849)	(2,107)	(933)	(15,485)
Provided for the year	4,065	15,733	15,821	8,640	44,259
Disposal of discontinued operations (note 33)	(490)	(2,825)	(2,240)	(4,080)	(9,635)
Disposals and written off	(1,402)	(154)	(19,326)	(4,542)	(25,424)
At 31st December, 2019	21,072	415,361	71,053	36,906	544,392
CARRYING VALUES					
At 31st December, 2019	60,430	87,168	73,693	22,407	243,698
At 31st December, 2018	57,144	108,120	80,754	29,212	275,230

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the term of the leases or 40 years, whichever is shorter
Leasehold improvements	Over the term of the leases or 5 years, whichever is shorter
Office equipment, furnitures and fixtures	20%
Motor vehicles	20%

The leasehold land and buildings of the Group are held under medium term land use rights in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

HKFRS 16 was adopted on 1st January, 2019 without restatement of comparative figures. Lease contracts are entered into for term of 12 months to 4 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.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Right-of-use assets	Leasehold land and buildings HK\$'000
COST	
At 31st December, 2018 (reported)	–
Impact of adopting HKFRS 16	243,265
Restated opening balance under HKFRS 16 as at 1st January, 2019	243,265
Exchange adjustments	(5,790)
Additions	20,238
Disposal of discontinued operations (note 33)	(4,175)
At 31st December, 2019	253,538
DEPRECIATION	
At 31st December, 2018 (reported)	–
Provided for the year	63,275
Disposal of discontinued operations (note 33)	(1,643)
At 31st December, 2019	61,632
CARRYING VALUES	
At 31st December, 2019	191,906

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

Lease liabilities	Leasehold land and buildings HK\$'000
At 31st December, 2018 (reported)	–
Impact of adopting HKFRS 16	243,265
Restated opening balance under HKFRS 16 as at 1st January, 2019	243,265
Exchange adjustments	(5,905)
Additions	20,238
Interest expense	12,351
Disposal of discontinued operations	(2,957)
Payments	(70,113)
At 31st December, 2019	196,879

Analysed by:

	At 31st December, 2019 HK\$'000	At 1st January, 2019 HK\$'000
Current	68,696	56,875
Non-current	128,183	186,390
	196,879	243,265

The followings are the amounts recognised in profit or loss.

	2019 HK\$'000
Depreciation expense of right-of-use assets	63,275
Interest expense in lease liabilities	12,351
Expense relating to short-term leases	168,619

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

19. GOODWILL

	HK\$'000
COST	
At 1st January, 2018	15,403
Arising on acquisition of business (note 32)	193,975
At 31st December, 2018	209,378
Exchange adjustments	(6,169)
Disposal of discontinued operations (note 33)	(2,924)
At 31st December, 2019	200,285

For the purposes of impairment testing, goodwill as detailed above has been allocated to the subsidiaries as individual CGUs from which goodwill arose. The carrying amount of goodwill as at 31st December, 2019 allocated to these units are as follows:

	2019 HK\$'000	2018 HK\$'000
Provision of property management services in the PRC ("Unit A") — discontinued operations	—	2,924
Provision of primary real estate agency services in the PRC ("Unit B")	11,642	12,479
Provision of real estate agency services in the PRC ("Unit C")	188,643	193,975
	200,285	209,378

As at 31st December, 2019, management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The recoverable amount of the CGUs has been determined based on a value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 20.9% and 19.5% for Unit B and Unit C, respectively (2018: 16.99%, 20.27% and 18.82% for Unit A, Unit B and Unit C, respectively). The set of cash flows beyond five-year period are extrapolated using a decelerating growth rate from 10% to 3% (2018: a decelerating growth rate from 10% to 3%), as determined by management. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include commission income of Unit B and Unit C, respectively and respective profit margin, such estimation is based on unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

20. INTERESTS IN ASSOCIATES AND JOINT VENTURES

The amounts recognised in the consolidated statement of financial position were as follows:

	2019 HK\$'000	2018 HK\$'000
Carrying amounts of		
Associates	12,882	10,061
Joint ventures	–	2,873
	12,882	12,934

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the years ended 31st December, 2019 and 2018 were as follows:

	2019 HK\$'000	2018 HK\$'000
Share of profit/(losses) of		
Associates	6,342	2,486
Joint ventures	–	(593)
	6,342	1,893

Interests in associates

	2019 HK\$'000	2018 HK\$'000
At 1st January	10,061	–
Acquisition of business (note 32)	–	7,040
Addition	234	563
Disposal of discontinued operations (note 33)	(757)	–
Dividend received	(2,238)	–
Share of post-acquisition profit and other comprehensive income	5,972	2,486
Exchange adjustments	(390)	(28)
At 31st December	12,882	10,061

During the year ended 31st December, 2018, the Group invested in and held 34% and 40% of equity interests in Chongqing Ruiyun Technology Limited* (“Ruiyun Technology”) and Anhui Poly Aijia Realty Consultancy Limited* (“Aijia Realty Consultancy”), respectively arose from acquisition of business (note 32). The aforementioned acquisition was completed on 4th September, 2018. The Group invested in and held 49% equity interests in Jiangsu Shuikong Ganglian Property Management Co. Limited (“Jiangsu Shuikong”) on 4th September, 2018.

* For identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

20. INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

As at 31st December, 2019, the Group had interests in the following associates:

Name of entity	Form of entity	Place of registration	Place of operation	Class of shares held	Proportion of registered capital held by the Group		Proportion of voting rights held by the Group		Principal activity
					2019	2018	2019	2018	
Ruiyun Technology	Establishment	The PRC	The PRC	Registered	34%	34%	34%	34%	Provision of real estate information technology consulting services
Ajija Realty Consultancy	Establishment	The PRC	The PRC	Registered	40%	40%	40%	40%	Provision of real estate agency service
Jiangsu Shuikong	Establishment	The PRC	The PRC	Registered	(note)	49%	(note)	49%	Provision of property management services

Note: During the year ended 31st December, 2019, the Group disposed all of its 49% equity interests of Jiangsu Shuikong which is included in the discontinued operations to the Purchaser. Please refer to notes 13 and 33 for details.

The associates are accounted for using the equity method on these consolidated financial statements.

Summarised financial information of associates

The following illustrates the summarised financial information of the Group's material associate, Ruiyu Technology, extracted from its management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group.

	2019 HK\$'000	2018 HK\$'000
Non-current assets	5,752	6,593
Current assets	66,778	19,373
Current liabilities	(42,059)	(5,552)
Revenue	63,938	17,959
Profit and total comprehensive income for the year	15,291	6,418
Dividends received from the associate during the year	2,238	–

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2019 HK\$'000	2018 HK\$'000
Net assets attributable to the owners of associate	30,471	20,414
Proportion of the Group's ownership interest attributable to the owners of associate	34%	34%
Goodwill	10,360	6,941
Effect of fair value adjustments at acquisition	–	–
Carrying amount of the Group's interest attributable to the owners of associate	10,360	6,941

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

20. INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Aggregate information of associates that are not individually material:

	2019 HK\$'000	2018 HK\$'000
The Group's share of profit from continuing operations	772	304
The Group's share of post-tax profit of discontinued operations	–	–
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive income	772	304
Aggregate carrying amount of the Group's interests in the associates that are not individually material as at 31st December	2,522	3,120

Interests in joint ventures

	2019 HK\$'000	2018 HK\$'000
At 1st January	2,873	611
Addition	–	2,873
Disposal of discontinued operations (note 33)	(2,873)	–
Share of post-acquisition profit and other comprehensive income	–	(593)
Exchange adjustments	–	(18)
At 31st December	–	2,873

During the year ended 31st December, 2018, the Group invested in and held 50% of equity interest in Tianjin Haijing Ganglian Real Estate Service Co. Limited* ("Tianjin Haijing"). The interest in Tianjin Haijing was accounted for as a joint venture under HKFRS 11 as pursuant to the memorandum of association, all of the strategic financial and operating decisions must be approved by joint venture partners with unanimous consent.

* For identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

20. INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

As at 31st December, 2019 and 2018, the Group had interest in the following joint ventures:

Name of entity	Form of entity	Place of registration	Place of operation	Class of shares held	Proportion of registered capital held by the Group		Proportion of voting rights held by the Group		Principal activity
					2019	2018	2019	2018	
Hopefluent Gao Yi	Establishment	The PRC	The PRC	Registered	51%	51%	51%	51%	Property management
Tianjin Haijing	Establishment	The PRC	The PRC	Registered	(note a)	50%	(note a)	50%	Property management
Shanghai Kepler Investment Funds Management Co., Ltd. ("Shanghai Kepler")	Establishment	The PRC	The PRC	Registered	–	(note b)	–	(note b)	Investment management and consultancy service

Note a: During the year ended 31st December, 2019, the Group disposed all of its 50% equity interests of Tianjin Haijing which is included in the discontinued operations to the Purchaser. Please refer to notes 13 and 33 for details.

Note b: During the year ended 31st December, 2018, the Group disposed all of its 45% equity interests of Shanghai Kepler to an independent third party for a consideration of RMB26,000,000 (approximately HK\$31,140,000). The transaction has resulted in the recognition of a gain in profit or loss, calculation as follows:

	HK\$'000
Consideration	31,140
Less: Carrying amount of 45% equity interests in Shanghai Kepler	(24,051)
Gain on disposal of a joint venture (note 10)	7,089

Summarised financial information of joint ventures

The directors of the Company considered that none of the joint ventures of the Group have significant impact to the financial position and performance of the Group individually.

Aggregate information of joint ventures that are not individually material:

	2019 HK\$'000	2018 HK\$'000
The Group's share of loss from continuing operations	–	593
The Group's share of post-tax profit from discontinued operations	–	–
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive expense	–	593
Aggregate carrying amount of the Group's interests in the joint ventures that are not individually material	–	2,873

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

21. LOAN RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Fixed-rate loan receivables, net of allowance	781,237	931,405
Analysed as:		
Current	579,743	508,358
Non-current	201,494	423,047
	781,237	931,405

At 31st December, 2019, loan receivables of HK\$399,177,000 (2018: HK\$447,007,000) are unsecured. The carrying amounts of HK\$201,494,000 (2018: HK\$423,047,000) are classified as non-current loan receivables and are recoverable by instalments within two to eight years (2018: two to five years). As at 31st December, 2019, loan receivables bear fixed interest rates ranging from 6% to 24% (2018: 1% to 24%). During the year, HK\$146,537,000 (2018: HK\$169,369,000) of interest income was recognised from the loan receivables.

All of the loan receivables are guaranteed by independent property owners or entities. Included in the loan receivables, an amount of HK\$382,060,000 (2018: HK\$484,398,000) are secured by properties. The details of the assessment of the creditability of the individuals or entities are set out in note 41b.

Movement in the allowances on loan receivables

	2019 HK\$'000	2018 HK\$'000
At 1st January	22,825	8,521
Impact on initial application of HKFRS 9	–	16,262
Adjusted balance at 1st January	22,825	24,783
Exchange adjustments	(1,029)	(390)
Provision/(reversal) of allowances on loan receivables	17,488	(1,568)
At 31st December	39,284	22,825

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

22. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 30 to 180 days (2018: 30 to 180 days) to its customers. The aging analysis of accounts receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2019 HK\$'000	2018 HK\$'000
Accounts receivables		
0–30 days	599,618	761,887
31–60 days	74,831	119,162
61–90 days	102,920	81,442
91–120 days	115,093	78,930
121–180 days	110,329	86,705
Over 180 days	627,743	661,650
	1,630,534	1,789,776

Included in the Group's accounts receivables balance are debtors with aggregate carrying amount of HK\$627,743,000 (2018: HK\$661,650,000) which are past due as at the reporting date for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated.

Before accepting any new customer, the Group assesses the potential customer's credit quality. The credit quality is reviewed periodically. Majority of the accounts receivables that are neither past due nor impaired have no default payment history. The Group does not hold any collateral over these balances.

Aging of accounts receivables which are past due but not impaired

	2019 HK\$'000	2018 HK\$'000
Over 180 days	627,743	661,650

Movement in the allowance for doubtful debts

	2019 HK\$'000	2018 HK\$'000
At 1st January	80,328	62,376
Exchange adjustments	(2,717)	(2,747)
Allowance recognised on receivables	21,152	20,699
At 31st December	98,763	80,328

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

23. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2019 HK\$'000	2018 HK\$'000
Prepayments for property marketing projects	89,613	96,726
Rental deposits	45,763	39,350
Security deposits paid to property developers (note 1)	443,515	337,921
Advances to staffs	7,748	7,756
Deposits and other receivables (notes 1 & 2)	365,762	142,814
	952,401	624,567
Less: Non-current portion		
Rental deposits	(8,122)	–
Other receivables (note 2)	(71,685)	–
Current portion	872,594	624,567

Notes:

- (1) As 31st December, 2019, security deposits paid to property developers and other receivables include amounts due from a non-controlling interest and its related parties approximately HK\$407,767,000 (2018: HK\$253,064,000) and HK\$8,785,000 (2018: HK\$nil) respectively. The amounts due are non-trade nature, interest-free and repayable on demand. In the opinion of the directors of the Company, the amounts are expected to be recovered within twelve months from the end of the reporting period.
- (2) Included in other receivables as at 31st December, 2019, are a contingent consideration receivable of HK\$107,527,000 and dividend receivable of HK\$144,281,000 arose from disposal of discontinued operations (note 33).

24. AMOUNTS DUE FROM/TO AN ASSOCIATE/A JOINT VENTURE

The amounts are non-trade nature, unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the amounts are expected to be recovered within twelve months from the end of the reporting period.

25. FINANCIAL ASSETS AT FVTPL

	2019 HK\$'000	2018 HK\$'000
Financial assets at FVTPL		
— Listed equity securities issued in the PRC	5,646	7,395

26. BANK BALANCES AND CASH/PLEGGED BANK DEPOSITS

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing at market interest rate ranging from 0.01% to 1.5% (2018: 0.01% to 1.5%) and have original maturity of three months or less.

Pledged bank deposits represent deposits pledged to banks for securing banking facilities granted to the Group.

For the year ended 31st December, 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparties are insignificant and accordingly no allowance for credit losses is provided.

As at 31st December, 2019, included in bank balances and cash and pledged bank deposits of the Group approximately HK\$1,962 million (2018: approximately HK\$1,701 million) of bank balances denominated in RMB are placed with the banks in the PRC. Remittance of funds out of mainland China is subjected to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

27. PAYABLES AND ACCRUALS

	2019 HK\$'000	2018 HK\$'000
Accrued other taxation	65,217	78,968
Accrued operating expenses	162,825	145,429
Deposits received on behalf of property developers	–	52,696
Temporary receipts from customers	15,017	19,856
Accrued staffs costs	230,029	180,473
Other payables and accruals	25,812	41,324
	498,900	518,746

28. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2019 HK\$'000	2018 HK\$'000
Contract liabilities from third parties	469,661	430,489

The contract liabilities of the Group mainly arise from the advance payments received from customers which the underlying services are not yet provided. The contract liabilities are recognised as revenue after the Group satisfies its performance obligations to the customers.

Movement in contract liabilities

	2019 HK\$'000	2018 HK\$'000
At 1st January	430,489	182,309
Decrease as a result of recognising revenue during the year	(1,163,601)	(1,045,284)
Increase as a result of receiving advance payments during the year	1,219,535	1,311,508
Exchange adjustments	(16,762)	(18,044)
At 31st December	469,661	430,489

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

29. BANK AND OTHER BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Secured bank borrowings	100,560	11,494
Unsecured bank borrowings	–	46,150
Other borrowings	415,705	632,958
	516,265	690,602
The maturity of the bank and other borrowings is analysed as follows:		
Within 1 year	482,745	646,004
Between 1 and 2 years	33,520	44,598
	516,265	690,602
Less: Amounts due within 1 year shown under current liabilities	(482,745)	(646,004)
Amounts due after 1 year shown under non-current liabilities	33,520	44,598

As at 31st December, 2019, all bank borrowings of the Group were secured by certain of the Group's investment properties and leasehold land and buildings. Details of pledge of assets are set out in note 35.

The Group's bank and other borrowings carry interest at both variable and fixed rates and effective interest rates on the Group's borrowings are as follows:

	2019 HK\$'000	2018 HK\$'000
Effective interest rate:		
Variable-rate bank borrowings of 4.8% to 8.5% (2018: 4.8% to 8.5%)	100,560	57,644
Variable-rate other borrowings of 13.2% (2018: 13.2%)	22,346	22,988
Fixed-rate other borrowings range from 8.5%–15% (2018: 10.3%–14.4%)	393,359	609,970
	516,265	690,602

As at 31st December, 2019 and 2018, the Group's borrowings are all denominated in RMB.

30. SHARE CAPITAL

	Number of shares	Nominal amounts HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st January, 2018, 31st December, 2018 and 2019	8,000,000,000	80,000
Issued and fully paid:		
At 1st January, 2018, 31st December, 2018 and 1st January, 2019	667,998,808	6,680
Issue of shares upon scrip dividend scheme (note)	6,151,181	61
At 31st December, 2019	674,149,989	6,741

Note: On 28th August, 2019, the Company issued and allotted 6,151,181 shares at HK\$2.27 per share to the shareholders who elected to receive shares in the Company in lieu of cash for the 2018 final dividends pursuant to the scrip dividend scheme announced by the Company on 23rd July, 2019. The new shares rank pari passu in all respects with the existing shares. For more detail, please refer to the circular of the Company dated 23rd July, 2019.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

31. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidation statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK\$'000	2018 HK\$'000
Deferred tax assets	33,890	29,609
Deferred tax liabilities	(55,691)	(69,511)
	(21,801)	(39,902)

The following are the major components of deferred tax assets/(liabilities) recognised by the Group and the movements thereon during the current year:

	Revenue recognised for accounting purpose but not for tax purpose HK\$'000	Fair value of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Provision for doubtful debts HK\$'000	Accrued expenses HK\$'000	Total HK\$'000
At 1st January, 2018	(29,005)	(11,227)	(22,542)	–	–	(62,774)
Acquisition of business (note 32)	–	–	–	1,852	(409)	1,443
(Charge)/credit to profit or loss						
— continuing operations (note 9)	(2,951)	(2,034)	(4,441)	(144)	28,636	19,066
— discontinued operations	55	–	–	–	–	55
Exchange adjustments	1,200	476	958	3	(329)	2,308
At 31st December, 2018	(30,701)	(12,785)	(26,025)	1,711	27,898	(39,902)
Disposal of discontinued operations (note 33)	2,964	151	106	–	–	3,221
(Charge)/credit to profit or loss (note 9)	4,231	960	3,746	(788)	6,012	14,161
Exchange adjustments	687	332	643	(29)	(914)	719
At 31st December, 2019	(22,819)	(11,342)	(21,530)	894	32,996	(21,801)

At 31st December, 2019, the Group's PRC subsidiaries had unused tax losses of HK\$124,792,000 (2018: HK\$126,174,000) not recognised available for offset against future profits.

In addition, the Group (other than its subsidiaries in the PRC) had unused tax losses of HK\$135,344,000 (2018: HK\$128,466,000) available for offset against future profits. Such unrecognised tax losses may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$3,914,965,000 (2018: HK\$2,784,697,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

32. ACQUISITION OF BUSINESS

On 7th May, 2018, the Company signed a cooperation reorganisation agreement with Poly Developments and Holdings Group Co., Ltd. (formerly known as Poly Real Estate Group Co., Ltd.) ("Poly Real Estate") ("Cooperation Agreement"). According to the Cooperation Agreement, Poly Real Estate injected the entire equity interests in Poly Real Estate Investment Consultancy Co., Ltd. ("Poly Consultancy") and its subsidiaries (collectively referred to as "Poly Consultancy Group") into Hopefluent (China) Real Estate Consultancy Co., Ltd. ("Hopefluent China"), an indirect wholly-owned subsidiaries of the Company and its subsidiaries ("Hopefluent China Group"), and in return obtaining 43.9% of the entire equity interests in Hopefluent China as contemplated.

On 4th September, 2018 (the "date of acquisition"), the Company has completed the acquisition of the Poly Consultancy Group in consideration of the transfer of 43.9% of its equity interests in Hopefluent China to Poly Real Estate, which is regarded as a deemed disposal of the Company's interests in a subsidiary of the Company. The Company retained 56.1% of equity interests of Hopefluent China.

Poly Consultancy Group is engaged in the provision of real estate agency services and real estate information technology consulting services in the PRC. Poly Consultancy Group was acquired so as to maintain and expand the Group's market share in real estate agency service business in the PRC.

In accordance with HKFRS 3 *Business Combination* ("HKFRS 3"), the fair value of the identifiable assets acquired and liabilities assumed of Poly Consultancy Group and the fair value of Hopefluent China Group as at the date of acquisition are as follows:

	Poly Consultancy Group HK\$'000	Hopefluent China Group HK\$'000
Investment properties	31,163	2,936
Property, plant and equipment	20,349	187,620
Interest in associates	7,040	–
Deferred tax assets	1,443	–
Accounts and other receivables	434,654	1,996,738
Bank balances and cash	424,979	378,268
Payables and accruals	(275,848)	(1,265,789)
Bank borrowings	–	(35,226)
	643,780	1,264,547

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

32. ACQUISITION OF BUSINESS (Continued)

Goodwill is determined as the excess of the fair value of consideration paid by Hopefluent China, i.e. fair value of 43.9% equity interest of Hopefluent China Group, and the fair value of 56.1% of equity interest of Poly Consultancy Group.

The goodwill is analysed as follows:

	HK\$'000
Consideration for acquisition of the 56.1% of effective equity interests in Poly Consultancy Group settled by 43.9% equity interest of Hopefluent China Group	555,136
Add: Non-controlling interest of 43.9% of effective equity interests held by Poly Real Estate	282,619
Less: Fair value of the net identifiable assets acquired and liabilities of Poly Consultancy Group	(643,780)
Goodwill arising on acquisition	193,975

The non-controlling interest arose from the acquisition is as follows:

	HK\$'000
Deemed disposal of 43.9% equity interest of Hopefluent China Group as the consideration	555,136
Add: 43.9% of effective equity interests of Poly Consultancy Group held by Poly Real Estate	282,619
	837,755

The fair value of Poly Consultancy Group's net assets and Hopefluent China Group's net assets have been arrived at on the basis of a valuation carried out on the date of acquisition by BMI.

Goodwill arose in the acquisition of Poly Consultancy Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Poly Consultancy Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash inflow on acquisition of Poly Consultancy Group:

	HK\$'000
Cash consideration paid	–
Less: bank balances and cash acquired	424,979
	424,979

Included in the profit for the year ended 31st December, 2018 is HK\$166,720,000 attributable to the additional business generated by Poly Consultancy Group. Revenue for the year ended 31st December, 2018 includes HK\$809,118,000 generated from Poly Consultancy Group.

Had the acquisition been completed on 1st January, 2018, total group revenue for the year ended 31st December, 2018 would have been HK\$1,709,545,000, and profit for the year ended 31st December, 2018 would have been HK\$295,230,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2018, nor is it intended to be a projection of future results.

The acquired assets and liabilities were allocated to Unit C.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

33. DISPOSAL OF DISCONTINUED OPERATIONS

On 31st July, 2019, the Group completed the disposal of the Target Group, which is regarded as the discontinued operations (note 13). The net assets of the Target Group at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	9,527
Right-of-use assets	2,532
Goodwill	2,924
Investment properties	34,182
Interests in an associate and a joint venture	3,630
Accounts and other receivables	157,311
Bank balances and cash	245,352
Accruals and other liabilities	(405,685)
	49,773
Gain on disposal of discontinued operations:	
Consideration received and receivable	358,424
Net assets disposed of	(49,773)
Cumulative exchange differences in respect of the net assets of the discontinued operations	(3,698)
Tax expenses	(92,269)
	212,684
Consideration:	
Cash	250,897
Contingent consideration receivables (note)	107,527
	358,424
Net cash inflow arising on disposal:	
Cash received	250,897
Less: Bank balance and cash equivalents disposed of	(245,352)
Net cash inflow	5,545

Note: Pursuant to the SPA, total cash consideration is HK\$358,424,000 (equivalent to RMB316,350,000) in which the first to third consideration payments with the aggregate amount of HK\$250,897,000 has been received on 15th August, 2019, and the fourth to sixth consideration payments will be subject to the adjustment mechanism regarding the Target Group's performance target for years 2019 to 2021.

The fourth to sixth consideration payments would be adjusted if certain condition precedents cannot be achieved by the Target Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

33. DISPOSAL OF DISCONTINUED OPERATIONS (Continued)

The major condition precedents are disclosed as follows:

The Vendor has undertaken to the Purchaser that for each of the three financial years ending 31st December, 2021, the average annual growth rate of the chargeable site area of the projects under the management of the Target Group will not be less than 10%. On the basis that the agreed and confirmed total chargeable site area as at 31st December, 2018 was 13,468,200 square metres, the Vendor and the Purchaser have agreed to the following performance targets for the chargeable site area of the projects under management of the Target Group and the targeted net increase in chargeable site area calculated based on the total chargeable site area as at 31st December, 2018 for the three financial years ending 31st December, 2021.

Year	Performance target: chargeable site area ('000 square meters)	Targeted net increase in chargeable site area (as compared with 2018) ('000 square meters)	Agreed time to pay the Group if the target is met	Amount to pay the Group if the target is met (HK\$'000)
2019	14,815.0	1,346.8	2020	35,842
2020	16,296.5	2,828.3	2021	35,842
2021	17,926.2	4,458.0	2022	35,842

At the year end date, since the directors of the Company are of the opinion that the Target Group would satisfy condition precedents of years 2019–2021's performance target by reference to the 2019 actual performance of the Target Group, no adjustment was made to the fair value of the contingent consideration receivables.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Bank and other borrowings HK\$'000	Dividend payables HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1st January, 2018	863,705	–	–	863,705
Changes from cash flows:				
New bank and other borrowings raised	1,028,486	–	–	1,028,486
Repayment of bank and other borrowings	(1,168,454)	–	–	(1,168,454)
Interest paid	(36,143)	–	–	(36,143)
Dividend declared	–	93,520	–	93,520
Dividends paid to shareholders of the Company	–	(93,520)	–	(93,520)
Total changes from financing activities	(176,111)	–	–	(176,111)
Other changes:				
Foreign exchange	(33,135)	–	–	(33,135)
Interest expenses	36,143	–	–	36,143
Total other changes	3,008	–	–	3,008
At 31st December, 2018	690,602	–	–	690,602
Adjustment:				
Upon application of HKFRS 16	–	–	243,265	243,265
At 1st January, 2019 (restated)	690,602	–	243,265	933,867
Changes from cash flows:				
New bank and other borrowings raised	841,137	–	–	841,137
Repayment of bank and other borrowings	(1,001,960)	–	–	(1,001,960)
Repayment of principal of lease liabilities	–	–	(70,113)	(70,113)
Interest paid	(48,750)	–	–	(48,750)
Dividend declared	–	122,398	–	122,398
Dividend paid to non-controlling interests	–	(62,605)	–	(62,605)
Dividends paid to shareholders of the Company	–	(59,793)	–	(59,793)
Total changes from financing activities	(209,573)	–	(70,113)	(279,686)
Other changes:				
Foreign exchange	(13,514)	–	(5,905)	(19,419)
Interest expenses	48,750	–	12,351	61,101
New leases	–	–	20,238	20,238
Disposal of discontinued operations	–	–	(2,957)	(2,957)
Total other changes	35,236	–	23,727	58,963
At 31st December, 2019	516,265	–	196,879	713,144

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

35. PLEDGE OF ASSETS

The Group had pledged the following assets for bank and other borrowings granted to the Group:

	2019 HK\$'000	2018 HK\$'000
Investment properties	32,336	13,885
Leasehold land and buildings	11,318	20,039
Pledged bank deposits	–	11,494
	43,654	45,418

36. OPERATING LEASES

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises and shops of HK\$168,619,000 (2018: HK\$231,978,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	364,195	224,519
In the second to fifth year inclusive	–	431,448
Over five years	–	120,712
	364,195	776,679

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated and rentals are fixed for lease terms of one to eleven years (2018: one to eleven years).

The Group is the lessee in respect of a number of properties which were previously classified as operating leases under HKAS17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balance at 1st January, 2019 to recognise lease liabilities relating to these leases (note 2). From 1st January, 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3.

The Group also has certain leases of shops with lease terms of 12 months or less. The Group applies the “short-term lease” recognition exemptions for these leases and the future minimum lease payments regarding these leases are disclosed as above.

The Group as lessor

Property rental income earned during the year was HK\$10,159,000 (2018: HK\$6,106,000). All of the investment properties held have committed tenants for the next one to eight years (2018: one to nine years).

At the end of the reporting periods, the Group had contracted with tenants for the following future minimum lease payments:

	2019 HK\$'000	2018 HK\$'000
Within one year	11,325	9,657
In the second to fifth year inclusive	9,289	2,117
Over five years	68	112
	20,682	11,886

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

37. SHARE OPTIONS SCHEME

The Company's share option scheme (the "Old Scheme"), was adopted pursuant to a resolution passed on 24th June, 2004 for the primary purpose of providing incentives or rewards to directors, eligible employees and advisors and consultants of the Group for their contributions to the Group. The Old Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 15th July, 2004 and expired on 23rd June, 2014. The Company's new share option scheme (the "New Scheme"), was adopted pursuant to a resolution passed in an annual general meeting on 6th June, 2014. Under the New Scheme, the board of directors of the Company (the "Board") may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The New Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 6th June, 2014.

The offer of the grant of share options may be accepted within 28 days from the date of the offer, at a consideration of HK\$1, payable by the grantee upon the acceptance of the offer. The options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following 10 years from the date of acceptance of the grant of the options. Unless otherwise determined by the executive directors, the New Scheme does not require a minimum period for which the options must be held or a performance target which must be achieved before the options can be exercised.

The subscription price of the share options is determinable by the directors, but shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

Pursuant to the New Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company must not exceed 10% of the issued share capital of the Company as at the date of adoption of the New Scheme (i.e. 52,370,190 shares). Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associate (as defined in the Listing Rules) have to abstain from voting and/or comply with other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue and with a value in excess of HK\$5 million within any 12-month period must be approved in advance by the Company's shareholders.

The outstanding share options granted under the Old Scheme shall continue to be valid and exercisable.

There were no outstanding balance of share options as at 31st December, 2019 and 2018.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

38. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. MPF Scheme is a defined contribution scheme in accordance with the principle of Mandatory Provident Fund Scheme Ordinance. The Group contributes 5% of relevant payroll costs which limited to HK\$18,000 (2018: HK\$18,000) per annum of each individual employee to the Scheme, where contribution is matched by employees. Any forfeited contributions in respect of unvested benefits of staff leavers will be used to reduce the Group's contributions. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The contributions paid and payable to the schemes by the Group in respect of the year which were charged to profit or loss amounted to HK\$290,474,000 (2018: HK\$258,173,000).

39. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the year:

	2019 HK\$'000	2018 HK\$'000
Non-controlling interest		
Revenue	25,919	29,969
Rental expense	6,314	1,812
Building management fee	639	–
Related parties of non-controlling interest (note b)		
Revenue	1,578,941	655,498
Rental expense	5,499	1,673
Building management fee	3,545	1,470

The following balances were outstanding as at the end of reporting periods:

	2019 HK\$'000	2018 HK\$'000
Non-controlling interest (note c)	35,742	49,409
Related parties of non-controlling interest (notes b & c)	73,915	80,371

Note a: These transactions were carried out in accordance with terms and conditions mutually agreed by the parties involved.

Note b: A non-controlling interest has controlled, joint controlled or significant influence over those corporations.

Note c: The amounts due are trade in nature, unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the amounts are expected to be recovered within twelve months from the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

39. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The remuneration of key management during the year is as follows:

	2019 HK\$'000	2018 HK\$'000
Fees, salaries and other benefits	12,315	12,625
Retirement benefits scheme contributions	95	63
	12,410	12,688

The remuneration of key management including directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

As consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets.

The gearing ratio as at the end of the reporting period is as follows:

	2019 HK\$'000	2018 HK\$'000
Total liabilities	2,007,117	1,946,589
Total assets	6,379,695	5,873,584
Gearing ratio	31.46%	33.14%

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

41. FINANCIAL INSTRUMENTS

41a. Categories of financial instruments

	2019 HK\$'000	2018 HK\$'000
Financial assets		
Financial assets measured at amortised cost	5,450,784	5,022,799
Financial assets at FVTPL	5,646	7,395
Financial liabilities		
Financial liabilities measured at amortised cost	1,015,165	1,212,199

41b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivables, amounts due from a joint venture/an associate, loan receivables, other receivables, financial assets at FVTPL, pledged bank deposits, bank balances, payables, amount due to a joint venture and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The main risks arising from the Group's financial instruments in the normal course of the Group's business are market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group substantively operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Several subsidiaries of the Company have foreign currency assets, including bank balances and cash, which exposed the Group to foreign currency risk.

The Group is mainly exposed to the currency risk of Australian dollars ("AUD").

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2019 HK\$'000	2018 HK\$'000
AUD	6,696	8,024

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

41. FINANCIAL INSTRUMENTS (Continued)

41b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) increase/decrease in AUD against HK\$. 5% (2018: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK\$ strengthen 5% (2018: 5%) against AUD. For a 5% (2018: 5%) weakening of HK\$ against AUD, there would be an equal and opposite impact on the profit and the balance would be negative.

	HK\$ Impact	
	2019 HK\$'000	2018 HK\$'000
Profit or loss	234	281

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan receivables, amounts due from a joint venture/an associate and fixed-rate other borrowings.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances because these balances carry interest at prevailing rates and they are of short maturity. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and variable-rate other borrowings.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arises.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for pledged bank deposits, variable-rate bank balances and variable-rate bank and other borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2018: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2018: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2019 would have increased/decreased by HK\$3,185,000 (2018: increased/decreased by HK\$3,057,000).

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

41. FINANCIAL INSTRUMENTS (Continued)

41b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by closely monitoring the price fluctuation of the investment. As at 31st December, 2019, the Group's equity price risk is mainly concentrated on the equity instruments operating in different industry sectors listed on the Shanghai and Shenzhen Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the equity instrument had been 5% (2018: 5%) higher/lower and all other variables were held constant for the year ended 31st December, 2019, the Group's post-tax profit for the year would have increased/decreased by HK\$211,000 (2018: HK\$277,000) as a result of the changes in fair value of financial assets at FVTPL.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31st December, 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2018: 100%) of the total loan receivables, accounts receivables and amounts due from a joint venture/an associate as at 31st December, 2019. The Group also has concentration of credit risk as 25.1% (2018: 14.6%) and 15.5% (2018: 8.6%) of the total accounts receivables was due from the Group's five largest customers and the largest customer, respectively, whom are within the property real estate agency segment with good reputation and satisfactory repayment history. The Group also has concentration of credit risk as 20.6% (2018: 20.5%) and 8.4% (2018: 7.4%) of the total loan receivables were due from the Group's five largest customers and the largest customer, respectively.

For the amounts due from a joint venture and an associate as disclosed in note 24, the management of the Group closely monitors the financial position and repayment status of the joint venture and the associate, and considers that the credit risk is limited.

Other than concentration of credit risk on loan receivables, accounts receivables and amounts due from a joint venture/an associate, the Group does not have any other significant concentration of credit risk.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. With respect to the microcredit business, the Group has delegated a team responsible for determination of credit limits and credit approvals. The team monitors customers' repayment ability and requests the customers to provide guarantees. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

41. FINANCIAL INSTRUMENTS (Continued)

41b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Expected loss rates are based on actual loss experience over the past 5 years. The rates are adjusted to reflect difference between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following tables provide information about the Group's exposure to credit risk and ECLs for financial assets as at 31st December, 2019:

(a) Accounts receivables

	ECL rate (%)	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current to 90 days	nil	777,369	–
91–120 days	2.77	118,372	3,279
121–180 days	5.00	116,136	5,807
Over 180 days	12.50	717,420	89,677
		1,729,297	98,763

(b) Loan receivables

	ECL rate (%)	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Stage 1	1.5	762,276	11,434
Stage 2	38.2	49,183	18,788
Stage 3	100	9,062	9,062
		820,521	39,284

(c) Other receivables and amounts due from an associate/a joint venture

Deposits, other receivables and amounts due from an associate/a joint venture are considered to have low credit risk and the loss allowance was limited to 12m ECLs. In the opinion of the directors of the Company, the identified impairment loss of those financial assets was immaterial after the assessment.

(d) Bank balances

Bank balances were placed in the financial institutions in China and Hong Kong. Financial institutions in China and Hong Kong are governed by China Banking Regulatory Commission and Hong Kong Monetary Authority, respectively. In view of the stable bank system in China and Hong Kong, the ECL is expected to be very minimal and close to zero. Thus the overall impact of ECL allowance is very minimal, without undue cost.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

41. FINANCIAL INSTRUMENTS (Continued)

41b. Financial risk management objectives and policies (Continued)

Liquidity risk

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

In addition to the Group's own capital and earnings to finance the Group's operations, the Group relies on bank and other borrowings as additional source of liquidity. As at 31st December, 2019, the Group has bank borrowings of HK\$100,560,000 (2018: HK\$57,644,000) and other borrowings of HK\$415,705,000 (2018: HK\$632,958,000). Furthermore, as at 31st December, 2019, the Group has unutilised bank facilities of RMB20,000,000 (approximately HK\$22,346,000) (2018: RMB60,000,000 (approximately HK\$68,966,000)).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2019 HK\$'000
2019							
Non-derivative financial liabilities							
Payables and accruals	-	498,900	-	-	-	498,900	498,900
Lease liabilities	5	6,071	11,289	54,711	134,592	206,663	196,879
Bank borrowings — variable rate	6.85	729	-	123,243	-	123,972	100,560
Other borrowings — fixed rate	10.09	47,915	5,088	182,051	175,040	410,094	393,359
Other borrowings — variable rate	13.2	23,845	-	-	-	23,845	22,346
		577,460	16,377	360,005	309,632	1,263,474	1,212,044

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2018 HK\$'000
2018							
Non-derivative financial liabilities							
Payables and accruals	-	518,746	-	-	-	518,746	518,746
Amount due to a joint venture	-	2,851	-	-	-	2,851	2,851
Bank borrowings — variable rate	5.66	60,772	-	-	-	60,772	57,644
Other borrowings — fixed rate	9.92	110,106	26,205	453,190	46,452	635,953	609,970
Other borrowings — variable rate	13.2	23,220	-	-	-	23,220	22,988
		715,695	26,205	453,190	46,452	1,241,542	1,212,199

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

41. FINANCIAL INSTRUMENTS (Continued)

41c. Fair value measurements of financial instruments

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

- the fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

	2019		2018	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Financial assets				
Financial assets at FVTPL	–	5,646	–	7,395
Financial assets measured at amortised cost				
Bank balances and cash	2,163,397	–	1,723,391	–
Pledged bank deposits	–	–	11,494	–
Accounts receivables	1,630,534	–	1,789,776	–
Loan receivables	781,237	–	931,405	–
Other receivables	862,788	–	527,841	–
Amount due from a joint venture	12,764	–	38,874	–
Amount due from an associate	64	–	18	–
Financial liabilities				
Financial liabilities measure at amortised cost				
Payables and accruals	498,900	–	518,746	–
Amount due to a joint venture	–	–	2,851	–
Bank and other borrowings	516,265	–	690,602	–

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

41. FINANCIAL INSTRUMENTS (Continued)

41c. Fair value measurements of financial instruments (Continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

	Fair value as at 31st December, 2019 HK\$'000	Fair value as at 31st December, 2018 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as financial assets at FVTPL	5,646	7,395	Level 1	Quoted bid price in an active market

42. EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors of the Company proposed a final dividend for 2019. Details were disclosed in note 14.

After the Novel Coronavirus ("COVID-19") outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented. The Group has paid close attention to the development of the COVID-19 outbreak and kept evaluating its impact on the financial position, cash flows and operating results of the Group. The outbreak is a non-adjusting post-balance sheet event. We do not consider that this has any material impacts on the carrying value of assets or liabilities at 31st December, 2019.

43. MAJOR NON-CASH TRANSACTIONS

On 28th August, 2019, the Company issued and allotted 6,151,181 shares at HK\$2.27 per share to the shareholders who elected to receive shares in the Company in lieu of cash for the 2018 final dividends pursuant to the scrip dividend scheme announced by the Company on 23rd July, 2019. The new shares rank pari passu in all respects with the existing shares. For more detail, please refer to the circular of the Company dated 23rd July, 2019.

During the year ended 31st December, 2018, the Group has completed the acquisition of Poly Consultancy Group and the consideration has been settled through the issue of 43.9% of the entire equity interest of Hopefluent China. Further details of the acquisition are set out in note 32.

44. COMPARATIVES

Conform to current year's presentation, the comparative consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period. The restatement had no effect on the reported financial position, results or cash flows of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

45a. Details of the Group's principal subsidiaries at the end of the reporting period are set out as below:

Name of subsidiary	Place of incorporation/ registration	Class of share held	Nominal value of issued share capital/ registered capital	Attributable effective equity interest held by the Company (note a)		Principal activities	Place of operation
				2019 %	2018 %		
Guangdong Hope Real Properties Limited (notes b and h)	The PRC	Registered	RMB10,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Guangzhou New Profits Properties Agency Limited (notes c and h)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent (BVI) Limited	British Virgin Islands ("BVI")	N/A	US\$100	100	100	Investment holding	Hong Kong
Sino Estate Holdings Limited (note e)	BVI	N/A	US\$100	(note e)	100	Investment holding	Hong Kong
Guangzhou Hope Profits Properties Agency Limited (notes c and h)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent (China) Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB109,304,813	56.1	56.1	Provision of real estate agency services	The PRC
Tianjin Hopefluent Real Properties Sales and Marketing Limited (notes c and h)	The PRC	Registered	RMB10,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Hopefluent Properties Limited (note c)	Hong Kong	Ordinary	HK\$100	100	100	Provision of real estate agency services	Hong Kong
Hopefluent Promotion Limited (note c)	Hong Kong	Ordinary	HK\$100	100	100	Provision of advertising and marketing service	Hong Kong
Hopefluent (Hong Kong) Limited (note c)	Hong Kong	Ordinary	HK\$100,000	100	100	Investment holding	Hong Kong
Foshan Hopefluent Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB1,000,000	56.1	56.1	Provision of real estate agency services	The PRC

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

45a. Details of the Group's principal subsidiaries at the end of the reporting period are set out as below: (Continued)

Name of subsidiary	Place of incorporation/ registration	Class of share held	Nominal value of issued share capital/ registered capital	Attributable effective equity interest held by the Company (note a)		Principal activities	Place of operation
				2019 %	2018 %		
Dongguan Hopefluent Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB1,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Hubei Hopefluent Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB5,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Asia Asset Property (China) Limited (note e)	Hong Kong	Ordinary	HK\$5,323,000	(note e)	100	Investment holding	Hong Kong
Asia Asset Real Estate Services (Shanghai) Co., Ltd. (notes b, e and h)	The PRC	Registered	US\$ 630,000	(note e)	85.5	Provision of property management services	The PRC
Asia Asset (Guangzhou) (notes b, e and h)	The PRC	Registered	RMB60,000,000	(note e)	85.5	Provision of property management services	The PRC
Asia Asset Real Estate Services (Wuhan) Co., Ltd. (notes b, e and h)	The PRC	Registered	RMB5,205,200	(note e)	85.5	Provision of property management services	The PRC
Asia Asset Real Estate Services (Tianjin) Co., Ltd. (notes b, e and h)	The PRC	Registered	RMB5,000,000	(note e)	85.5	Provision of property management services	The PRC
Beijing Hopefluent Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB2,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Guangzhou Hopefluent Financial Services Limited (notes c and h)	The PRC	Registered	RMB201,000,000	100	100	Investment and consultancy services	The PRC

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

45a. Details of the Group's principal subsidiaries at the end of the reporting period are set out as below: (Continued)

Name of subsidiary	Place of incorporation/ registration	Class of share held	Nominal value of issued share capital/ registered capital	Attributable effective equity interest held by the Company (note a)		Principal activities	Place of operation
				2019 %	2018 %		
Guangdong Hopefluent Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB10,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Henan Hopefluent Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB1,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Shandong Hopefluent Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB2,010,000	56.1	56.1	Provision of real estate agency services	The PRC
Anhui Hopefluent Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB2,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Qingyuan Hopefluent Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB1,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Guangzhou Wanjia Financial Services Limited (note h)	The PRC	Registered	RMB100,000,000	100	100	Provision of financial agency services	The PRC
Guizhou Hopefluent Real Properties Consultancy Limited (notes c and h)	The PRC	Registered	RMB1,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Guangzhou Chun Wui Investment Consultancy Limited (notes c and h)	The PRC	Registered	HK\$80,000,000	100	100	Investment holding	The PRC
Guangzhou Hopefluent Microcredit Business Limited ("Guangzhou Hopefluent Microcredit") (notes d and h)	The PRC	Registered	RMB240,000,000	100	100	Provision of microcredit business	The PRC

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

45a. Details of the Group's principal subsidiaries at the end of the reporting period are set out as below: (Continued)

Name of subsidiary	Place of incorporation/ registration	Class of share held	Nominal value of issued share capital/ registered capital	Attributable effective equity interest held by the Company (note a)		Principal activities	Place of operation
				2019 %	2018 %		
Hope CBD Realty Consultancy Sdn Bhd	Malaysia	Ordinary	RM50,000	60	60	Provision of real estate agency services	Malaysia
Hopefluent (Australia) Pty Ltd ("Hopefluent Australia") (note f)	Australia	Registered	AUD100	60	60	Provision of real estate agency services	Australia
HFA Projects Management Pty Ltd	Australia	Registered	AUD100	60	60	Provision of property management services	Australia
Hopefluent Realty Pty Ltd ("Hopefluent Realty") (note f)	Australia	Registered	AUD100	45	45	Provision of real estate agency services	Australia
Poly Consultancy (note h)	The PRC	Registered	RMB50,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Tibet Ying Kai Real Properties Consultancy Limited (note h)	The PRC	Registered	RMB1,000,000	56.1	56.1	Provision of real estate agency services	The PRC
Tibet Poly Aijia (notes g and h)	The PRC	Registered	RMB100,000,000	22.4	22.4	Provision of real estate agency services	The PRC
Poly (Chongqing) Real Properties Information Consultancy Limited (note h)	The PRC	Registered	RMB1,000,000	56.1	N/A	Provision of real estate agency services	The PRC
Sichuan Poly Real Properties Consultancy Limited (note h)	The PRC	Registered	RMB10,000,000	56.1	N/A	Provision of real estate agency services	The PRC

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

45a. Details of the Group's principal subsidiaries at the end of the reporting period are set out as below: (Continued)

Notes:

- (a) The Company directly holds the equity interest in Hopefluent (BVI) Limited. All other interests shown above are indirectly held by the Company.
- (b) The companies are sino-foreign equity joint ventures with limited liability.
- (c) The companies are limited liability companies.
- (d) The Group held 66.7% (2018: 45%) equity interest of Guangzhou Hopefluent Microcredit with remaining 33.3% (2018: 55%) held by two (2018: three) individuals who are independent to the Group ("Registered Shareholders"). In order to satisfy the relevant PRC laws and regulations relating to the money lending business, Guangzhou Hopefluent Microcredit and the Registered Shareholders had entered into a series of contractual arrangements ("Structural Contracts").

Under these Structural Contracts, the Group is able to effectively control, recognise and receive substantially all the economic benefit of the business and operations of Guangzhou Hopefluent Microcredit. In summary, the Structural Contracts enable the Group to obtain, through Guangzhou Hopefluent Microcredit with, among other things:

- an exclusive right to acquire, directly or through one or more nominees, from each of the owners of Guangzhou Hopefluent Microcredit, at a consideration based on the contribution to the registered capital of Guangzhou Hopefluent Microcredit as permitted under the applicable laws; and
- the right to control the management and financial and operating policies of Guangzhou Hopefluent Microcredit.

As a result, the Group continues to account for Guangzhou Hopefluent Microcredit as a subsidiary and the effective equity interests in Guangzhou Hopefluent Microcredit change from 92% to 100%. As a result, Guangzhou Hopefluent Microcredit is accounted for as a subsidiary and its financial statements have also been consolidated by the Group.

- (e) During the year ended 31st December, 2019, the Group has agreed to sell the entire issued share capital of Sino Estate Holdings Limited, a wholly-owned subsidiary, and its subsidiaries to the Purchaser, for a consideration of HK\$358,424,000. Details please refer to note 33.
- (f) Hopefluent Realty is 75% held by Hopefluent Australia, which is 60% held by the Group. The effective shareholding in Hopefluent Realty held by the Group is thus 45%.
- (g) Despite holding only 22.4% equity interest, according to the articles of association of Tibet Poly Aijia, all parties contractually agreed all board decision rest on the sole discretion of Poly Consultancy, an indirect subsidiary of the Group, therefore giving the Group control over Tibet Poly Aijia.
- (h) The English name is for identification purposes only.

The above table lists the subsidiaries of the Group as at 31st December, 2019 and 2018 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

45b. Details of non-wholly owned subsidiaries that have material non-controlling interests ("NCI")

Hopefluent China, a 56.1% owned subsidiary of the Company, has material NCI. The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to Hopefluent China Group, before intra-group eliminations:

	2019 HK\$'000	2018 HK\$'000
Current assets	4,488,817	3,746,639
Non-current assets	247,023	517,593
Current liabilities	(2,156,332)	(2,071,672)
Non-current liabilities	(9,716)	(11,334)
Equity attributable to owners of the Company	1,433,962	1,223,669
NCI of Hopefluent China	140,548	111,442
NCI of Hopefluent China's subsidiaries	995,282	846,115

	For the year ended 31st December, 2019 HK\$'000	For the period from 4th September, 2018 (date to acquisition) to 31st December, 2018 HK\$'000
Revenue	5,861,299	1,660,390
Expenses	(5,447,718)	1,387,493
Profit for the year	413,581	272,897
Profit attributable to owners of the Company	210,293	153,095
Profit attributable to NCI of Hopefluent China	29,106	3,256
Profit attributable to NCI of Hopefluent China's subsidiaries	174,182	116,546
Dividends paid to NCI of Hopefluent China	–	–
Net cash outflow from operating activities	533,737	539,867
Net cash (outflow)/inflow from investing activities	(16,317)	25,501
Net cash outflow from financing activities	(53,048)	(35,226)
Net cash inflow	464,372	530,142

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

46. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	2019 HK\$'000	2018 HK\$'000
Non-current Asset		
Unlisted investments in subsidiaries	149,518	149,518
Current Assets		
Other receivables	339	194
Amounts due from subsidiaries	335,324	392,159
Bank balance and cash	849	460
	336,512	392,813
Current Liability		
Accruals	(108)	(1,615)
Net Current Assets	336,404	391,198
Total Assets less Current Liability	485,922	540,716
Capital and Reserves		
Share capital (note 30)	6,741	6,680
Share premium and reserves	479,181	534,036
Total Equity	485,922	540,716

Movement in reserves

	Share premium HK\$'000	Contributed surplus reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2018	661,022	67,385	(15,263)	(79,416)	633,728
Loss for the year	–	–	–	(7,886)	(7,886)
Exchange differences arising on translation	–	–	1,714	–	1,714
Total comprehensive income/(expense) for the year	–	–	1,714	(7,886)	(6,172)
Dividends recognised as distribution	(93,520)	–	–	–	(93,520)
At 31st December, 2018	567,502	67,385	(13,549)	(87,302)	534,036
Loss for the year	–	–	–	(3,530)	(3,530)
Exchange differences arising on translation	–	–	8,529	–	8,529
Total comprehensive income/(expense) for the year	–	–	8,529	(3,530)	4,999
Dividends recognised as distribution	(73,756)	–	–	–	(73,756)
Issue of scrip shares	13,902	–	–	–	13,902
At 31st December, 2019	507,648	67,385	(5,020)	(90,832)	479,181

The contributed surplus of the Company represents the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company under a corporate reorganisation in 2004 and the nominal amount of the Company's shares issued for the acquisition.

Financial Summary

A summary of results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31st December,				2019 HK\$'000
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	
RESULTS					
Turnover	2,760,202	3,965,770	4,671,795	5,449,622	6,417,988
Profit before tax	318,375	464,917	491,231	630,426	884,666
Income tax expense	(91,282)	(146,233)	(149,196)	(176,856)	(184,581)
Profit for the year	227,093	318,684	342,035	453,570	700,085
Attributable to:					
Owners of the Company	223,330	302,207	336,794	326,999	484,321
Non-controlling interests	3,763	16,477	5,241	126,571	215,764
	227,093	318,684	342,035	453,570	700,085

	At 31st December,				2019 HK\$'000
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	
ASSETS AND LIABILITIES					
Total assets	2,868,076	3,526,269	4,415,994	5,873,584	6,379,695
Total liabilities	(611,640)	(1,097,408)	(1,557,690)	(1,946,589)	(2,007,117)
Total equity	2,256,436	2,428,861	2,858,304	3,926,995	4,372,578
Attributable to:					
Owners of the Company	2,238,288	2,386,427	2,831,776	2,937,497	3,269,309
Non-controlling interests	18,148	42,434	26,528	989,498	1,103,269
	2,256,436	2,428,861	2,858,304	3,926,995	4,372,578