高富集團控股有限公司
# GT GROUP HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 263)

# 2019
ANNUAL REPORT

# CONTENTS



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Li Dong *(Chairman)*
Ng Shin Kwan, Christine
Chan Ah Fei
Liang Shan

### Independent Non-executive Directors

Wong Yun Kuen
Wong Shun Loy
Hu Chao

## AUDIT COMMITTEE

Wong Shun Loy *(Chairman)*
Wong Yun Kuen
Hu Chao

## NOMINATION COMMITTEE

Wong Yun Kuen *(Chairman)*
Wong Shun Loy
Hu Chao
Ng Shin Kwan, Christine

## REMUNERATION COMMITTEE

Hu Chao *(Chairman)*
Wong Yun Kuen
Wong Shun Loy

## COMPANY SECRETARY

Leung Ka Wai

## AUTHORISED REPRESENTATIVES

Ng Shin Kwan, Christine
Leung Ka Wai

## TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock code: 263)

## REGISTERED OFFICE

Units 2502–5, 25th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Industrial Bank Company Limited, Hong Kong Branch

## PRINCIPAL LEGAL ADVISERS

Reed Smith Richards Butler
Tsang, Chan & Wong

## AUDITORS

Pan-China (H.K.) CPA Limited
*Certified Public Accountants*

## SHARE REGISTRARS AND TRANSFER OFFICE

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

## WEBSITE

www.gtghl.com

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of GT Group Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.

## BUSINESS REVIEW

Global economic growth in 2019 had recorded its weakest pace since the global financial crisis a decade ago, reflecting common influences across countries and country-specific factors. Trade barriers and associated uncertainties weighed on the weakening business sentiments and activities had risen substantially on a global basis. In some cases, especially in advanced economies and China, these developments had magnified cyclical and structural slowdowns which were already under way.

For the year ended 31 December 2019, the Group recorded a loss attributable to equity holders of the Company of approximately HK$541,440,000 (2018: approximately HK$744,708,000). The loss was mainly due to the recognition of an unrealised loss on financial assets at fair value through profit or loss of approximately HK$145,599,000 (2018: approximately HK$116,983,000) and loss allowance on loans receivable of approximately HK$168,873,000 (2018: approximately HK$6,411,000).

During the year, the Group continued to focus on the financing services business, such as money lending. The interest income generated by the financing operation is approximately HK$50,112,000, representing 4.3% year-on-year growth (2018: approximately HK$48,044,000).

## PROSPECT

We expect the global economy in 2020 to be full of challenges. With the outbreak of coronavirus ("COVID-19") in China, the China's economic growth was nearly put to a halt at the beginning of 2020 with a vast majority of its major cities encountering total lockdown in all facets to battle against the COVID-19. The overall economic growth in China for the next 12 months is expected to grow at its slowest pace since the financial crisis. Many companies and countries globally are dealing with lost revenue and disrupted supply chains due to China's factory shutdowns, with tens of millions of people remaining in lockdown in dozens of cities in China. With the spreading of the COVID-19 outbreak to other countries around the globe, especially Korea, Japan, Iran, United States and some european countries, various countries have imposed travel restrictions or even travel bans which further dampens the normal operation of all economies around the world. Together with the damage caused by the locusts in Africa and its surrounding countries, as well as the ongoing trade-war between China and USA, we would expect a hazardous impact on the global economic growth in 2020. Organisation for Economic Co-operation and Development also warned the virus presents the biggest danger to the global economy since the financial crisis and the virus risks giving a further blow to a global economy that was already weakened by trade and political tensions.

Taking these views into consideration, the Group will adopt a very prudent approach in its investment strategy in the coming year. Nevertheless, the Group will continue its strategy to concentrate in identifying suitable and/or attractive investment opportunities for possible acquisitions and further expansion of its business.

# CHAIRMAN'S STATEMENT

## APPRECIATION

I would like to take this opportunity to thank shareholders and investors of the Company for their continuous supports, as well as management and the staff of the Company for their commitment and dedication towards the Group in ensuring its growth and success. My heartfelt gratitude also goes to our customers, suppliers, bankers, business associates and all our stakeholders for their cooperation. Finally, I would also like to record my appreciation to my fellow directors on the Board for their invaluable contribution throughout the year.

**Li Dong**
*Chairman*

Hong Kong, 11 May 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the year under review, the Group recorded a turnover of approximately HK$55,948,000 (2018: negative turnover approximately HK$95,125,000), and a gross profit of approximately HK$53,869,000 (2018: gross loss approximately HK$95,259,000). Such an improvement in turnover and gross profit were primarily attributable to the decrease in net realised loss from securities trading of approximately HK$1,859,000 (2018: approximately HK$149,666,000).

For the year ended 31 December 2019, the Group recorded a loss attributable to equity holders of the Company of approximately HK$541,440,000 (2018: approximately HK$744,708,000). The loss was mainly due to the recognition of unrealised loss on financial assets at fair value through profit or loss of approximately HK$145,599,000 (2018: approximately HK$116,983,000) and loss allowance on loans receivable of approximately HK$168,873,000 (2018: approximately HK$6,411,000).

## OPERATIONS REVIEW

### Financing Operation

The interest income and operating loss generated by the financing operation were approximately HK$50,112,000 (2018: approximately HK$48,044,000) and approximately HK$122,820,000 (2018: operating profit approximately HK$37,016,000. The operating loss was mainly due to the recognition of loss allowance on loans receivable of approximately HK$168,873,000 (2018: approximately HK$6,411,000) in respect of overdue loans receivable of the Group.

### Brokerage and Securities Investment Operation

Taking into account the brokerage commission income, interest income from margin and cash clients and the net realised gains or losses from securities trading of the Group, the turnover of the brokerage and securities investment operation reported a turnover of approximately HK$4,253,000 (2018: negative turnover of approximately HK$143,169,000). The improvement in turnover was primarily attributable to decrease in the net realised loss from securities trading of approximately HK$1,859,000 (2018: approximately HK$149,666,000) during the year.

The overall performance of the operation recorded a loss of approximately HK$175,208,000 for the year ended 31December 2019 (2018: approximately HK$278,886,000). Save for the net realised loss from securities trading as discussed above, the loss was primarily attributable to the unrealised loss on investment in securities which amounted to approximately HK$145,599,000 for the year ended 31 December 2019 (2018: approximately HK$116,983,000) as a result of the decrease in the market prices of listed securities held by the Group for investment purpose. As at 31 December 2019, the market value of the Group's listed securities portfolio was approximately HK$337,849,000 (2018: approximately HK$467,244,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

The Board would like to inform shareholders of the Company that all financial assets at fair value through profit or loss held as at 31 December 2019 represented shares listed in Hong Kong and the relevant information of the Group's financial assets at fair value through profit or loss which amounted to approximately HK$337,849,000 as at 31 December 2019 is summarised below:

| Name of securities | % of shareholding in the listed securities held by the Group as at 31 December 2019 | Unrealised (loss)/gain on financial assets at fair value through profit or loss for the year ended 31 December 2019<br>HK$'000 | Fair value of the investment in listed securities as at 31 December 2019<br>HK$'000 | Principal businesses (*copied from HKEX website) | Size compared to Group's total assets | Dividend received<br>HK$'000 | Total cost<br>HK$'000 | Gain or (loss) on disposal<br>HK$'000 |
|---|---|---|---|---|---|---|---|---|
| China Shangdong Hi-Speed Financial Group Limited (stock code: 412) | 2.65% | (49,216) | 154,771 | Financials<br>— Other Financials<br>— Financing | 16.12% | Nil | 279,754 | N/A |
| China Smarter Energy Group Holdings Limited (stock code: 1004) | 1.14% | (40,576) | 44,848 | Utilities<br>— Utilities<br>— Alternative/Renewable Energy | 4.67% | Nil | 89,524 | (606) |
| Imperial Pacific International Holdings Limited (stock code: 1076) | 0.3% | 21,750 | 44,805 | Consumer Discretionary<br>— Travel & Leisure<br>— Casinos & Gaming | 4.67% | Nil | 60,074 | N/A |
| Dongwu Cement International Limited (stock code: 695) | 4.99% | 3,337 | 42,693 | Properties & Construction<br>— Construction<br>— Construction Materials | 4.45% | 1,424 | 39,696 | 54 |
| Sfund International Holdings Limited (stock code: 1367) | 2.87% | (38,667) | 23,150 | Consumer Discretionary<br>— Textiles & Clothing<br>— Apparel | 2.41% | Nil | 45,666 | N/A |
| Others | | (42,227) | 27,582 | | | | | |
| Total | | (145,599) | 337,849 | | | | | |

The Hong Kong stock market has been volatile during the year and the Board envisages that the performance of the equities (and thus their values) will be susceptible to external factors. In order to mitigate possible financial risks related to the equities, the Group will further review the Group's investment portfolio and closely monitor the performance of the listed securities from time to time.

## Trading Operation

In order to enhance our existing business, the Group's trading operation was resumed in the second half of 2019 on a gradual basis. The revenue and operating loss generated by the trading operation were approximately HK$1,583,000 (2018: Nil) and approximately HK$171,000 (2018: Nil).

In November 2018, the Group completed the acquisition of 49% of the entire issued share capital of Multi-Fame Group Limited ("Multi-Fame" and together with its subsidiaries, "Multi-Fame Group") from vendor at the consideration of HK$196,000,000. Multi-Fame Group is principally engaged in trading of the computers and its peripherals, and is an authorised distributor of computer products for Lenovo and a retailer of baby care products on JD.com. It is also a distributor of computer products of Founder in the PRC. Upon completion, Multi-Fame Group becomes an associated companies of the Group. The Board considered that the acquisition can strengthen our trading business.

The turnover of Multi-Fame Group reached approximately HK$945,049,000 for the year ended 31 December 2019 mainly as a result of the trading of the computers and its peripherals by Multi-Fame Group. As the Group holds 49% of the entire issued share capital of Multi-Fame, the portion of the post-acquisition total comprehensive income of Multi-Fame Group shared by the Group was approximately HK$7,058,000 for the year ended 31 December 2019 (2018: approximately HK$7,672,000).

## Property Development

The Group's property development business comprises of 40% of the total issued share capital of China Sky Holdings Limited ("China Sky" and together with its subsidiaries, "China Sky Group"). China Sky Group is principally engaged in the business of development and construction of two property development projects in Chongqing, the PRC.

### 1. The Tanzishi Project

As disclosed in the Company's annual report for the year ended 31 December 2018 and the interim report for the six months ended 30 June 2019, there were legal disputes and court proceedings between 重慶金唐房地產開發有限公司 ("金唐公司"), a subsidiary of China Sky, and an independent third party ("Party B") which include, inter alia, the right of development of the parcels of the Land by the parties and the satisfactorily financial contributions of the Tanzishi Project. Based on the decision made by the Supreme People's Court of the PRC in 2019, it was ruled that the cooperation agreement entered into between 金唐公司 and Party B was terminated (the "Final Court Decision").

Since full impairment was made by the Group on China Sky Group's investment over the Tanzishi Project, the Final Court Decision will have no further impact or implication on the financial results of the Group for the year ended 31 December 2019.

Although the Final Court Decision ruled that the cooperation agreement entered into between 金唐公司 and Party B was terminated, yet China Sky Group is still interested in pursuing the development of the Tanzishi Project in view of its profit potential. To this end, 金唐公司 has initiated the negotiation with Party B and other independent third parties in exploring the possibility of forming a plan for the continued development of the Tanzishi Project. However, no concrete terms have been reached with respect to the negotiation. The Company will issue announcement to keep shareholders of the Company informed if any significant terms have been reached or agreed upon with respect to the said negotiation.

* For identification purposes only

2. **The Jintang Project (as defined hereinunder)**

   This property development project comprises a residential and commercial complex known as "Jintang New City Plaza" 金唐新城市廣場 (the "Jintang Project"), which is situated at Long Tower Street in the west southern part of the Yubei Zone, Chongqing City (重慶市渝北區龍塔街道) in the PRC. As disclosed in the Company's annual report for the year ended 31 December 2018 and the Company's interim report for the six months ended 30 June 2019, the construction of the Jintang Project has been completed.

Reference is made to note 15 to the consolidated financial statements as shown on page 104 of this Annual Report for further details in relation to the Group's investment and interest in China Sky Group and the related additional impairment provision and share of loss.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

At 31 December 2019, the Group had current assets of approximately HK$577,647,000 (2018: approximately HK$976,341,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling approximately HK$358,945,000 (excluding bank balances held under segregated trust accounts) (2018: approximately HK$490,138,000). The decrease in the liquid assets was mainly due to the decrease in the market value of the Group's listed securities portfolio.

As at 31 December 2019, the Group's current ratio, calculated on the basis of current assets of approximately HK$577,647,000 (2018: approximately HK$976,341,000) over current liabilities of approximately HK$1,171,672,000 (2018: approximately HK$1,077,896,000), decrease to 0.49 from 0.91. As at 31 December 2019, the Group had total borrowings of approximately HK$1,187,044,000 (2018: approximately HK$1,167,750,000) with the interest rate between 8% to 25% (2018: 6.8% to 17.13%) per annum and lease liabilities of approximately HK$15,856,000 (2018: Nil).

As at 31 December 2019, the Group had total liabilities of approximately HK$1,377,467,000 (2018: approximately HK$1,254,657,000). The gearing ratio (calculated as total liabilities divided by total assets) was approximately 1.43 as at 31 December 2019 (2018: approximately 0.91).

## DISCLAIMER OF OPINION

As disclosed in the Independent Auditor's Report, the auditors of the Company, Pan-China (H.K.) CPA Limited (the "Auditors") issued a disclaimer of opinion (the "Disclaimer of Opinion") on the consolidated financial statements of the Company for the year ended 31 December 2019. Set out below is the paragraph headed "Basis for Disclaimer of Opinion" as disclosed in the Independent Auditor's Report:

"We draw attention to note 3 to the consolidated financial statements, which describes that the Group incurred a net loss of approximately HK$541,440,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$594,025,000, while its bank balances and cash amounted to approximately HK$21,096,000 only. Besides, as set out in notes 24 and 25 to the consolidated financial statements, the Group had i) a loan of HK$18,000,000 which has been overdue since September 2018; ii) a loan of US$49,500,000, equivalent to approximately HK$386,816,000, which has been overdue since mid-March 2019; iii) note payable of US$40,000,000, equivalent to approximately HK$312,596,000, which was due and payable since September 2019; and iv) a loan from a financial institution of US$35,000,000, equivalent to approximately HK$273,450,000, which has been overdue since November 2019. These conditions, together with others described in note 3 "Basis of preparation" to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

The directors of the Company have been undertaking and considering a number of measures to improve the Group's liquidity, details of which are set out in note 3 "Basis of preparation" to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the eventual successful outcome of these measures, which presently are subject to multiple uncertainties. Should the Group fail to achieve the above-mentioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements of the Company for the year ended 31 December 2019.

Because of the significance of the matters above, we are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements of the Company for the year ended 31 December 2019 is appropriate."

## THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION

During the course of audit of the consolidated financial statement of the Company for the year ended 31 December 2019, the Auditors had raised concern on the Group's ability to operate as a going concern. In order to address this concern, the Group has, among other things, taken the following steps:

### (a) Loans payable and notes payable

(i) A loan payable of HK$18,000,000 which has been overdue since September 2018;

(ii) A loan payable of US$49,500,000, equivalent to approximately HK$386,816,000, which has been overdue since March 2019;

(iii) Note payable of US$40,000,000, equivalent to approximately HK$312,596,000, which has been due and payable since September 2019; and

(iv) A loan payable from financial institution of US$35,000,000, equivalent to approximately HK$273,450,000, of which there is a repayment on demand clause in the loan agreement that gives the lender an unconditional right at any time to require immediate payment. According to the repayment schedule of the loan agreement, US$5,000,000, equivalent to approximately HK$39,064,000, has been overdue since November 2019. The non-repayment of loan principal of such amount in accordance with the scheduled repayment terms has caused the relevant remaining non-overdue balance to become immediately repayable pursuant to the respective loan agreement.

For the above overdue loans payable and notes payable, the Group is currently in the process of negotiating with the loan lenders and the noteholder for extension of the liabilities.

### (b) Money lending business

The Group has been urging the customers of its money lending segment to settle all overdue loans. Up to the date of this report, the Group received approximately HK$19,000,000 from some of these customers and has applied such proceeds to settle part of the loan payables and be used as working capital of the Group. It is expected that the Group will receive more loan repayments from the customers in the year 2020. The Group intends to apply such proceeds to settle the outstanding loans and/or note payables and/or be used as working capital of the Group.

To address the going concern issue of the Group raised by the Auditors, the Group has been actively undertaking and will continue to undertake the following measures to improve the Group's working capital and cash flow position and mitigate its liquidity pressure:

**(a) Loans and notes payable**

For the overdue loans payable and notes payable, the Group will continue to negotiate with loan lenders and the noteholder for extension of the liabilities and/or debt restructure.

**(b) Future financing**

The Group is actively considering all possible fund-raising exercises and/or obtaining new loan facility with an aim to finance the above loans and interest repayments. As at the date of this report, the Group has not yet entered into any memorandum, arrangement or agreement about the aforesaid plan. Subject to the approval from the Stock Exchange and market conditions, it is expected that the Group will conduct such fund-raising activity in the near future, possibly before the end of 2020.

**(c) Cost-saving/reduction**

The Group plans to dispose of certain subsidiaries with minimal or no revenue contributions in the past years to save staff and administration costs. It is expected that the Group could be able to reduce certain administrative expenses in the coming financial year.

Taking all of the above measures and/or actions into consideration, the Board considers and is confident that the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue its businesses and operations as a going concern and the going concern issue will be fully resolved in the immediate future.

## AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The members of the audit committee of the Company (the "Audit Committee") had critically reviewed the Disclaimer of Opinion, the Management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management's position based on the reasons above. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer of Opinion that no such Disclaimer of Opinion to be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditors regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditors' rationale and understood their consideration in arriving their opinion.

### Capital Structure

References are made to the announcements, notice and circular of the Company dated 15 January 2019, 6 March 2019, 8 March 2019, 28 March 2019, 11 April 2019, 15 April 2019, 26 April 2019, 3 June 2019 and 2 September 2019. Terms used hereinafter shall have the same meanings as defined in the above announcements, notice and circular.

On 15 January 2019, the Company put forward a proposal to the shareholders of the Company to effect the share consolidation which involved the consolidation of every ten (10) issued shares into one (1) consolidated share. Conditional upon the share consolidation becoming effective, the Company proposed to raise gross proceeds of approximately HK$314.03 million (before expenses) on the basis of four (4) rights shares for every one (1) consolidated share held on the record date by issuing 560,766,708 rights shares at the subscription price of HK$0.56 per rights share. Details of which are set out in the announcement of the Company dated 15 January 2019.

On 28 March 2019, the ordinary resolutions to approve the share consolidation and rights issue, as set out in the notice of extraordinary general meeting of the Company (the "EGM") dated 8 March 2019, were duly passed by way of poll at the EGM. The share consolidation became effective on 29 March 2019. Details of the share consolidation and rights issue are set out in the circular of the Company dated 8 March 2019 and the announcement of the Company dated 28 March 2019. As certain conditions precedent of the Underwriting Agreement have not been satisfied or waived, the proposed Rights Issue was lapsed on 31 August 2019. Details of the lapse of proposed Rights Issue are set out in the announcement of the Company dated 2 September 2019.

### Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi (the "RMB"), US dollars and Australian dollars. The Group maintains a prudent strategy in its foreign currency risk management, and to a large extent, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken and considered necessary by the Group.

### Pledge of Assets

As at 31 December 2019, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately HK$316,087,000 (2018: approximately HK$406,517,000) were pledged to securities brokers and two financial institutions to secure certain margin financing and loans granted to the Group. The equity interest of associates with an aggregate carrying amount of approximately HK$362,344,000 (2018: approximately HK$389,888,000) was also pledged to secure loans from two financial institutions.

### Capital Commitment

The Group had no capital commitment as at 31 December 2019 (2018: Nil).

### Contingent Liabilities

A subsidiary of the Company, which is principally engaged in securities brokerage business, may be subject to a maximum penalty of HK$10,000,000 payable to the enforcement agency in relation to certain allegedly irregular transactions conducted by a former employee of the subsidiary. The matter is currently under investigation by the enforcement agency. As the ultimate outcome of the matter cannot be reasonably predicted, it is reasonable for the Group to assume that the contingent liability of this case will be the maximum penalty of HK$10,000,000.

In addition, the subsidiary of the Company may also be found liable to certain third parties for an aggregate amount of approximately HK$8,000,000. In 2016, the Group obtained legal opinion from law firms in Hong Kong and the PRC which considered that the causes of action of the individuals in the above matter are timebarred and the time limitation had lapsed by 31 December 2016.

In the opinion of the directors of the Company, it is not probable that the individuals will issue claims against the Group and the possible claims of HK$8,000,000 is regarded as contingent liabilities as at 31 December 2019.

As explained above, the Group is subject to possible claims of HK$8,000,000 and a possible maximum penalty of HK$10,000,000 in respect of allegedly irregular transactions conducted by the former employee in prior years.

Save as disclosed above, there are no other material contingent liabilities as at 31 December 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL ACQUISITION AND DISPOSAL

Reference are made to the announcements, notice and circular of the Company dated 7 August 2017, 14 September 2017, 12 October 2017, 17 October 2017, 15 November 2017, 29 November 2017, 15 December 2017, 29 December 2017, 31 January 2018, 28 February 2018, 1 March 2018, 29 March 2018, 30 April 2018, 31 May 2018, 4 June 2018, 4 July 2018, 15 August 2018, 7 November 2018, 1 February 2019 and 8 November 2019. Terms used hereinafter shall have the same meanings as defined in the above announcements, notice and circular.

On 7 August 2017, an indirect wholly-owned subsidiary of the Company has entered into the Acquisition Agreement as amended by seven supplemental agreements with the Vendor in relation to the Acquisition of the Sale Shares and the Sale Indebtedness at the total consideration of HK$130,000,000. The Consideration will be settled by the issuance of the promissory note by the Company to the Vendor upon Completion. The scope of business of the Target Group is included but not limited to property development, property leasing and ocean tourism project development in the PRC.

On 4 July 2018, the ordinary resolution to approve the Acquisition, as set out in the notice of extraordinary general meeting of the Company dated 31 May 2018, was duly passed by way of poll at the extraordinary general meeting of the Company.

The Acquisition will be completed upon for fulfillment of certain conditions.

Details of the Acquisition are set out in the circular of the Company dated 31 May 2018.

Save as disclosed above, there was no other material acquisition and disposal as at 31 December 2019.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is principally engaged in the trading of goods, provision of finance, property development, brokerage and securities investment. As stated in the "Chairman Statement", the Group will continue to explore suitable and/or attractive investment opportunities for further expansion of its existing businesses, such as money-lending, securities investment and enhancement of margin loans for its securities brokerage business and property development.

Save for the information disclosed below and in other parts of this section, during the year and up to the date of this report, the Group has no other plan for material investments or capital assets.

### Property development

As stated in the above "Material Acquisition and Disposal" section and reference are made to the announcements and circular of the Company dated 7 August 2017, 14 September 2017, 12 October 2017, 17 October 2017, 15 November 2017, 29 November 2017, 15 December 2017, 29 December 2017, 31 January 2018, 28 February 2018, 1 March 2018, 29 March 2018, 30 April 2018, 31 May 2018, 4 June 2018, 4 July 2018, 15 August 2018, 7 November 2018,1 February 2019 and 8 November 2019. The Group entered into an acquisition agreement as amended by seven supplemental agreements to acquire the entire issued share capital of and sale indebtedness of Well City Enterprises Limited ("Well City" and together with its subsidiary, "Well City Group"). As Well City Group is engaged in property development in Hainan where tourism industry has been growing in the recent years, it is believed that tourism-related property development in Hainan is in demand and the price of such property will rise. The Group intends to hold, upon completion of the acquisition, the property project as an investment which can be realised for capital gain, the property project is also anticipated to bring an income stream for the Company deriving from the operation of the property project as a hotel by the hotel operator. By investing in the Well City Group, it is expected that the Group can tap into the property development market in Hainan, the PRC and expand its property development business.

### Trading

During the year, the Group has resumed its trading operations on a gradual basis. In order to further enhance our trading operation, the Group will continue to identify suitable and/or attractive opportunities for continual expansion of its trading business.

## SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The outbreak of the COVID-19 since the beginning of 2020 is fluid and challenging situation facing all the industries of the society. The directors of the Company are monitoring the operation and continue to assess and react actively to the impact of COVID-19 outbreak on the Group's operations, financial position and financial performance accordingly.

Save as disclosed above, there was no other significant event took place subsequent to the end of the reporting period.

## EMPLOYEES AND REMUNERATION POLICY

At 31 December 2019, the Group had 61 (2018: 57) employees including all directors. Total staff costs incurred during the year (including directors' remuneration) amounted to approximately HK$27,259,000 (2018: approximately HK$29,533,000). The Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Benefits offered by the Group to its employees included discretionary bonus, mandatory provident fund scheme, share options, training subsidies as well as medical insurance.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and sustainable business operations. As a responsible enterprise the Group strives to comply will relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste.

A separate environmental, social and governance report of the Group is expected be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.gtghl.com) no later than three months after the annual report had been published.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best of the knowledge and prudence of the directors, the Group was not aware of any material breaches of or non-compliance with relevant and applicable laws and regulations, including that of the Companies Ordinance, the Securities and Futures Ordinance, the Money Lenders Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Stock Exchange's Trading Rules and Clearing House Rules and all other laws and rules in Hong Kong governing the operations of the Company's businesses that might affect its going-concern.

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group considers that maintaining a good relationship with its employees, customers, suppliers, business partners, bankers, regulators and shareholders are key elements to the long-term success of the Group's business.

The Group provides competitive remuneration package to motivate and retain quality staff and is committed to provide a safe and healthy working environment for its staff.

The Group has been closely monitoring its relationship with all of its business partners to ensure it maintains good communication with each one of them, the terms and agreements of all contracts are properly complied with and any discrepancies/issues are properly reviewed and followed up by the responsible staff members.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

**Mr. Li Dong ("Mr. Li")**, aged 59, has been Executive Director and Chairman of the Company since July 2015. Mr. Li also holds directorships in various subsidiaries of the Company. He graduated from the faculty of electric automation (電氣自動化系) of the Yuzhou University (渝州大學) in Chongqing, the PRC. Mr. Li has worked as senior management for various banks in the PRC. He has extensive experience in banking, finance, risk management and treasury planning for over 20 years. Mr. Li was the governor of both Haikou Branch and Chengdu Branch of Shenzhen Development Bank, the deputy governor of Chongqing Branch of Industrial Bank, the deputy governor of Chongqing Branch of Evergrowing Bank and the governor of Chongqing Branch of Harbin Bank.

**Ms. Ng Shin Kwan, Christine ("Ms. Ng")**, aged 51, has been Executive Director of the Company since August 2007. Ms. Ng also holds directorships in various subsidiaries of the Company. She holds a Bachelor of Economics degree from University of Sydney in Australia and has over 20 years of experience in business development, corporate management and investment fields and held executive positions in various investment and securities companies.

**Mr. Chan Ah Fei ("Mr. Chan")**, aged 57, has been Executive Director of the Company since November 2010. Mr. Chan also holds directorships in various subsidiaries and an associate of the Company. He has more than 20 years of experience as key management in electric power supply, telecommunications, geological surveying and mining businesses. Mr. Chan received a geological surveying qualification from 甘肅蘭州礦業學院 (literally translated as Gansu Lanzhou Mining Academy). He has founded 青海創綠投資管理有限公司 (literally translated as Qinghai Chuanglu Investment Management Limited) since 2000, which is principally engaged in provision of consultancy service in relation to mining rights, including the mineral exploitation, extraction, processing and production at mines primarily located in the northwestern and southwestern regions of the PRC. Mr. Chan was a director of Great Wall Hong Kong Investment Co. Limited, which provides advisory services in relation to geological surveying and mining (a company dissolved on deregistration on 9 December 2016).

**Mr. Liang Shan ("Mr. Liang")**, aged 56, has been Executive Director of the Company since January 2014. Mr. Liang also holds directorships in various subsidiaries and an associate of the Company. He graduated from the Graduate School of Chinese Academy of Social Sciences with a master degree in monetary and banking studies (貨幣銀行學專業學習) of the Faculty of Finance and Economics (財貿經濟系). Mr. Liang has extensive experience in banking industry, iron ore trading and property development and has worked for various companies as director and general manager in the past.

**Dr. Wong Yun Kuen ("Dr. Wong")**, aged 62, has been Independent Non-executive Director of the Company since September 2004. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. He has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in corporate finance, investment and derivative products. Dr. Wong is a member of Hong Kong Securities Institute. He is an executive director and chairman of Far East Holdings International Limited (Stock Code: 36), an executive director and a chairman of UBA Investment Limited (Stock Code: 768) and an independent non-executive director of DeTai New Energy Group Limited (Stock Code: 559), Kaisun Holdings Limited (Stock Code: 8203) and Synergis Holdings Limited (Stock Code: 2340). Dr. Wong was an executive director of Boill Healthcare Holdings Limited (Stock Code: 1246) from July 2016 to December 2018; was a non-executive director of China Sandia Holdings Limited (Stock Code: 910) from September 2016 to September 2019, and was also an independent non-executive director of Asia Coal Limited (Stock Code: 835) from September 2018 to June 2019, Bauhaus International (Holdings) Limited (Stock Code: 483) from October 2004 to December 2016, Kingston Financial Group Limited (Stock Code: 1031) from June 2005 to August 2019, Tech Pro Technology Development Limited (Stock Code: 3823) from September 2017 to March 2020, and Sincere Watch (Hong Kong) Limited (Stock Code: 444) from September 2012 to December 2017.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wong Shun Loy ("Mr. Wong")**, aged 55, has been Independent Non-executive Director of the Company since March 2012. Mr. Wong is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained an Executive Master of Business Administration from Colorado University of Commerce in USA. Mr. Wong has extensive experience in banking, finance and accounting. He is the proprietor of S.L. Wong & Co.. Mr. Wong is an independent non-executive director of Inno-Tech Holdings Limited (Stock Code: 8202). He was an independent director of Dazhou City Commercial Bank from July 2015 to June 2018 and was an executive director of Chengdu Taihe Health Technology Group Inc., Ltd. (a company whose shares are listed on Shenzhen Stock Exchange) till March 2020.

**Mr. Hu Chao ("Mr. Hu")**, aged 36, has been Independent Non-executive Director of the Company since March 2012. Mr. Hu obtained a Bachelor Degree in Law from the Hunan University of Technology (formerly known as Zhuzhou Institute of Technology). He has extensive experience in legal consultation and had been providing consultancy services for various businesses in the PRC. Mr. Hu is an executive director of Code Agriculture (Holdings) Limited (Stock Code: 8153) and is an independent non-executive director of CL Group (Holdings) Limited (Stock Code: 8098).

## SENIOR MANAGEMENT

**Mr. Leung Ka Wai ("Mr. Leung")**, aged 39, has joined the Group since June 2012 and currently holds the position of Financial Controller and the Company Secretary of the Company. Mr. Leung is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and holds a bachelor's degree in Economics and a postgraduate diploma in professional accountancy from the Chinese University of Hong Kong. Mr. Leung has over 10 years of experience in auditing, finance and accounting and corporate secretarial functions.

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 37(a) to the consolidated financial statements.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 35 of this annual report.

The Company had no distributable reserve at 31 December 2019 and the directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 28 to the consolidated financial statements.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 39 of this annual report and in Note 37 to the consolidated financial statements, respectively.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment approximately HK$117,000 (2018: approximately HK$188,000) for the purpose of expanding the Group's operation. Details of this and other movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated and reclassified as appropriate, is set out on page 132 of this annual report. This summary does not form part of the audited consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of revenue (excluding the net realised results from securities trading) for the year attributable to Group's major customers are as follows:

| | |
|---|---|
| — the largest customer | 18% |
| — five largest customers combined | 51% |

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers noted above.

During the year, less than 30% of the Group's purchases were attributable to the Group's five largest suppliers combined.

## FIXED ASSETS

Details of the movement of fixed assets of the Group is set out in Note 14 to the consolidated financial statements.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

**Executive Directors:**

Li Dong *(Chairman)*
Ng Shin Kwan, Christine
Chan Ah Fei
Liang Shan

**Independent Non-executive Directors:**

Wong Yun Kuen
Wong Shun Loy
Hu Chao

In accordance with Article 105(A) of the Articles of Association of the Company, Mr. Li Dong, Mr. Liang Shan and Dr. Wong Yun Kuen will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Dr. Wong Yun Kuen ("Dr. Wong") has served on the Company as an independent non-executive director of the Company for more than 9 years. He has never held any executive or management position in the Group nor has he throughout such period been under the employment of any member of the Group. Dr. Wong has contributed by providing an independent viewpoint, enquiry and advice to the Company in relation to its businesses, operations, future development and strategy. The board of the Company (the "Board") considers that Dr. Wong has the character, integrity, ability and experience to continue to fulfill his role as required effectively. Dr. Wong has given the annual confirmations of his independence pursuant to Rule 3.13 of the Listing Rules to the Company and the nomination committee of the Company has assessed and is satisfied of the independence of Dr. Wong. Hence, the Board considers that the long services of Dr. Wong would not affect his exercise of independent judgments and therefore considers Dr. Wong to be independent and recommends Dr. Wong to be re-elected.

Each of the executive directors and the Chairman has entered into a letter of appointment with the Company and he/she is not appointed for any specific length or proposed length of service and his/her term of service shall continue unless terminated by either party giving to the other a prior notice in writing. Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the directors and the Chairman are also subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

None of the directors of the Company being 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 Group within one year without payment of compensation, other than statutory compensation.

### Directors of Subsidiaries

Other than the Directors named in the section headed "Biographical Details of Directors and Senior Management", the names of all directors who have served on the board of the subsidiaries of the Company during the year and up to the date of this report are as follows:

— Choi Sing Kay
— Fung Kwok Hung, Raymond
— Lee Cheuk Yue
— Lee Jalen
— Lui Sheung Pan
— Moral Dragon Trading Limited
— Newton Group Investment Limited
— Prime Way Development Limited
— Soo Siu Keung
— Wong Chi Keung, Sammy
— Yan King Tang
— Yau Yuet Yim, Rita

## PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association of the Company and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance"), every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of remuneration of directors and senior management of the Company during the year are set out in Notes 11 and 35 to the consolidated financial statements.

## HIGHEST PAID INDIVIDUALS

Details of five individuals with the highest remuneration of the Group during the year are set out Note 11 to the consolidated financial statements.

## INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF DIRECTORS AND SENIOR MANAGEMENT

As at 31 December 2019, the interests of the directors, chief executive and senior management of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

| Name of director | Capacity | Number of shares | Number of underlying shares | Total interests | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|---|
| Wong Yun Kuen | Beneficial owner | 180 | – | 180 | 0% |

Save as disclosed above, as at 31 December 2019, none of the directors or chief executive or senior management of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

Particulars of the share option scheme of the Company and details of movements in the share options of the Company during the year are set out in Note 29 to the consolidated financial statements.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Interests in Shares, Underlying Shares and Debentures of Directors and Senior Management" and "Share Option Scheme" above, at no time during the year was the Company or any of its 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 debt securities (including debentures) of, the Company or any other body corporate; and none of the directors or their spouse or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

## INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2019, the register of interest kept by the Company under section 336 of the SFO shown that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

| Name of shareholder | Capacity | Number of shares | Total interests | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|
| Wealth Success Limited | Beneficial owner | 40,668,157 *(Note 1, 2)* | 40,668,157 | 29% |
| Lai Leong | Interest held by controlled corporation | 40,668,157 *(Note 1, 2)* | 40,668,157 | 29% |

*Notes:*

1. These shares are beneficially owned by Wealth Success Limited. Wealth Success Limited is wholly-owned by Mr. Lai Leong. Accordingly, Mr. Lai Leong is deemed to be interested in 40,668,157 shares under SFO.

2. Wealth Success Limited has provided an interest in the Shares as security to a person other than a qualified lender.

Save as disclosed above, the Company has not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2019 as required pursuant to section 336 of the SFO.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

## AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2019 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

## CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual 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 respective responsibilities and contribution to the Group and by reference to market benchmark. No one is allowed to determine his or her own remunerations.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the directors of the Company confirm that the Company has maintained the amount of public float as required under the Listing Rules as at the date of this report.

## CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$76,000 (2018: HK$105,000).

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in Note 38 to the consolidated financial statements.

## AUDITORS

Pan-China (H.K.) CPA Limited ("Pan-China") retire and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Pan-China as auditors of the Company.

On behalf of the Board

**Li Dong**
*Chairman*

Hong Kong, 11 May 2020

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company strives to attain high standards of corporate governance. The Board believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

During the year, the Board and the Company has complied with the code provisions of Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the first part of code provision E.1.2 of the CG Code, the chairman of the Board, Mr. Li Dong did not attend the annual general meeting held on 12 July 2019 (the "Meeting") as he had another business engagement. The executive director of the Company, who took the chair of the Meeting and other members of the Board together with the chairmen of the Audit and Nomination Committees and other members of each of the Audit, Nomination and Remuneration Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Nomination and Remuneration Committees who attended the Meeting were already of sufficient caliber and number for answering questions at the Meeting.

## DIRECTORS' SECURITIES TRANSACTIONS

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

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises four executive directors, namely Mr. Li Dong (Chairman), Ms. Ng Shin Kwan, Christine, Mr. Chan Ah Fei and Mr. Liang Shan; and three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao. The directors' biographical information is set out in Biographical Details of Directors and Senior Management on pages 14 to 15 of this annual report.

During the year, the Board has at all times met the requirements of rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive directors are independent.

The independent non-executive directors represent one-third of the Board, which is required by Rule 3.10A of the Listing Rules. The Board believes there is sufficient independence element in the Board to safeguard the interest of shareholders.

A total of six regular Board meetings and two general meetings of the Company were held during the year ended 31 December 2019 with individual attendance record of each of the Directors as follows:

| Directors | Attendance/ Number of meetings Board Meetings | General Meetings |
|---|---|---|
| ***Executive Directors:*** | | |
| Li Dong | 4/6 | 0/2 |
| Ng Shin Kwan, Christine | 6/6 | 1/2 |
| Chan Ah Fei | 6/6 | 1/2 |
| Liang Shan | 5/6 | 1/2 |
| ***Independent Non-Executive Directors:*** | | |
| Wong Yun Kuen | 6/6 | 2/2 |
| Wong Shun Loy | 6/6 | 2/2 |
| Hu Chao | 6/6 | 1/2 |

Apart from regular Board meetings, the chairman of the Company also held a meeting with Independent Non-Executive Directors of the Company without presence of executive directors of the Company during the year.

### Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is primarily responsible for the leadership and control of the Company and is committed to make decision in the interests of both the Company and its shareholders. With delegating authorities from the Board, management of the Company is responsible for daily operations of the Group including management of all aspects of the Group's principal activities.

The Board delegates appropriate aspects of its management and administration functions to management. It also gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board determines those functions reserved to the Board and those delegated to the management and these arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

### Directors' Continuous Training and Development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Directors are committed to comply with the CG Code A.6.5 on Directors' training. All Directors are provided with training materials covering the topics of "Annual Corporate and Regulatory Update (2019)", "Keeping of the Significant Controllers Register" and "Anti-Money Laundering". All Directors have participated in continuous professional development and provided to the Company a record of training they received for the year ended 31 December 2019.

### Relationship among Directors

There is no relative relationship among the directors of the Company.

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, the Chairman is Mr. Li Dong and the Company does not have any individual with the title of Chief Executive Officer ("CEO"). The Chairman is responsible for overseeing all Board functions, while the role of CEO is performed collectively by the executive directors (excluding Mr. Li Dong) and senior management of the Company to overseeing the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

The Board considers that under the current arrangement, the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting operations of the Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month period unless terminated by either party in writing prior to the expiry of the term. All the independent non-executive directors are also subject to retirement by rotation and re- election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

## BOARD COMMITTEES

The Board has established three committees, the Audit Committee, Nomination Committee and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board Committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board Committees are posted on the websites of the Company and Stock Exchange and are available to shareholder of the Company upon request.

## NOMINATION COMMITTEE

The terms of reference of the nomination committee of the Company (the "Nomination Committee") are of no less exacting terms than those set out in the CG Code. As at the date of this report, the Nomination Committee consists of three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao and one executive director, namely Ms. Ng Shin Kwan, Christine. The Chairman of the Nomination Committee is Dr. Wong Yun Kuen. The terms of reference of the Nomination Committee are available on the websites of the Company and Stock Exchange.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to identify suitably qualified individuals to become Board members. It is also responsible for assessing the independence of Independent non-executive directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

The Nomination Committee held one meeting during the year ended 31 December 2019 to discuss the retirement and re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting with individual attendance record of each of the members as follows:

| Members | Attendance/ Number of meeting(s) |
|---|---|
| Wong Yun Kuen *(Chairman)* | 1/1 |
| Wong Shun Loy | 1/1 |
| Hu Chao | 1/1 |
| Ng Shin Kwan, Christine | 1/1 |

## REMUNERATION COMMITTEE

The terms of reference of the remuneration committee of the Company (the "Remuneration Committee") are of no less exacting terms than those set out in the CG Code. As at the date of this report, the Remuneration Committee consists of three independent non-executive directors, namely Mr. Hu Chao, Dr. Wong Yun Kuen and Mr. Wong Shun Loy. The Chairman of the Remuneration Committee is Mr. Hu Chao. The terms of reference of the Remuneration Committee are available on the websites of the Company and Stock Exchange.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company; to determine the specific remuneration packages including benefits in kind, pension rights and compensation payments (including any compensation payments for loss or termination of their office or appointment) of all executive directors and senior management of the Company as well as making recommendations to the Board of remuneration of independence non-executive directors of the Company.

During the year, the Remuneration Committee reviewed the remuneration packages of the directors of the Company. No director was involved in deciding his/her own remuneration.

The Remuneration Committee held one meeting during the year ended 31 December 2019 to discuss the remuneration packages of the directors of the Company with individual attendance record of each of the members as follows:

| Members | Attendance/ Number of meeting(s) |
|---|---|
| Hu Chao *(Chairman)* | 1/1 |
| Wong Yun Kuen | 1/1 |
| Wong Shun Loy | 1/1 |

## AUDIT COMMITTEE

The roles and functions of the audit committee of the Company (the "Audit Committee") are set out in its terms of reference. The terms of reference of Audit Committee are of no less exacting terms than those set out in the CG Code. As at the date of this report, the Audit Committee comprises three independent non-executive directors, namely Mr. Wong Shun Loy, Dr. Wong Yun Kuen and Mr. Hu Chao. The Chairman of the Audit Committee is Mr. Wong Shun Loy. The terms of reference of the Audit Committee are available on the websites of the Company and Stock Exchange.

The main duties of the Audit Committee are to making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements of the Group before submission to the Board and (ii) the Company's financial control, internal control and risk management systems.

During the year ended 31 December 2019, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and audited annual results of the Group.

The Audit Committee held three meetings during the year ended 31 December 2019 with individual attendance record of each of the members as follows:

| Members | Attendance/ Number of meetings |
|---|---|
| Wong Shun Loy *(Chairman)* | 3/3 |
| Wong Yun Kuen | 3/3 |
| Hu Chao | 3/3 |

## AUDITORS' REMUNERATION

For the year ended 31 December 2019, remuneration paid to the auditors of the Company for providing audit and non-audit services amounted to approximately HK$1,550,000 and approximately HK$603,000 respectively. Non-audit services mainly consisted of advisory and other reporting services.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as follows:

(i) to develop, review and update the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

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

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors;

(v) to review the Company's compliance with the code of corporate governance and disclosure in the Corporate Governance Report; and

(vi) to perform such other corporate governance duties and functions set out in the code of corporate governance (as amended from time to time) for which the Board are responsible.

## SHAREHOLDERS' RIGHTS

### Convening an extraordinary general meeting by shareholders

In accordance with sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings, may request the directors of the Company to call a general meeting. The request must state the general nature of the business to be dealt with at the general meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting. The request may consist of several documents in like form and may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person(s) making it.

If the directors of the Company do not within 21 days from the date of the deposit of the written request proceed duly to call a general meeting for a day not more than 28 days after the date on which the notice convening the general meeting, the shareholder(s) who requested the meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, provided that the general meeting must be called for a date not more than 3 months after the date on which the directors of the Company become subject to the requirement to call the general meeting.

The general meeting convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

# CORPORATE GOVERNANCE REPORT

### Enquiries to the Board

Shareholders may at any time send their written enquiries and concerns to the Board of Directors either by post, by facsimiles or by email, for the attention of Chairman of the Board or Company Secretary at the following address or facsimiles number or via email:

GT GROUP HOLDINGS LIMITED
Units 2502–5, 25th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong
Email: info@gtghl.com
Fax No.: (852) 3926 1999

The Company Secretary will forward the shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions in writing.

### Putting forward proposals at annual general meetings

In accordance with section 615 of the Companies Ordinance, the shareholders may request the Company to give, to shareholders entitled to receive notice of the annual general meeting, notice of a resolution that may properly be moved and is intended to be moved at that meeting. The request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given, be authenticated by the person or person(s) making it and be received by the Company not later than 6 weeks before the annual general meeting to which the requests relates; or if later, the time at which notice is given of that meeting.

The Company will give notice of a resolution of it has received the request form (a) shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the annual general meeting to which the request relate; or (b) at least 50 shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relate.

### Proposing Directors for election at general meetings

Pursuant to Article 109 of the Company's Articles of Association, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as director at any general meeting unless a notice signed by a member (other than the person to be processed) 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 registered office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

## INVESTOR RELATIONS

### Constitutional documents

There are no changes in the Company's constitutional documents during the year. The latest set of constitutional documents are available on the websites of the Company and the Stock Exchange.

### Shareholders Communication Policy

The Company adopted a Shareholders' Communication Policy which aims to promoting effective communication with the shareholders of the Company, encouraging the shareholders of the Company to engage actively with the Company and enabling the shareholders of the Company to exercise their rights as shareholders effectively. The information would be communicated to shareholders of the Company through various official channels (including Company's corporate communication, website and the shareholders' meeting) so that the shareholders of the Company can access the Company's public information equally in a timely manner. The Shareholders' Communication Policy is available on the website of the Company.

## DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for preparing the financial statements of the Company for each financial period in accordance with statutory requirements and applicable accounting standards so as to give a true and fair view of the state of affairs of the Group.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 33 to 34.

## DISCLAIMER OF OPINION

As disclosed in the Independent Auditor's Report, the auditors of the Company, Pan-China (H.K.) CPA Limited (the "Auditors") issued a disclaimer of opinion (the "Disclaimer of Opinion") on the consolidated financial statements of the Company for the year ended 31 December 2019. Set out below is the paragraph headed "Basis for Disclaimer of Opinion" as disclosed in the Independent Auditor's Report:

"We draw attention to note 3 to the consolidated financial statements, which describes that the Group incurred a net loss of approximately HK$541,440,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$594,025,000, while its bank balances and cash amounted to approximately HK$21,096,000 only. Besides, as set out in notes 24 and 25 to the consolidated financial statements, the Group had i) a loan of HK$18,000,000 which has been overdue since September 2018; ii) a loan of US$49,500,000, equivalent to approximately HK$386,816,000, which has been overdue since mid-March 2019; iii) note payable of US$40,000,000, equivalent to approximately HK$312,596,000, which was due and payable since September 2019; and iv) a loan from a financial institution of US$35,000,000, equivalent to approximately HK$273,450,000, which has been overdue since November 2019. These conditions, together with others described in note 3 "Basis of preparation" to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

The directors of the Company have been undertaking and considering a number of measures to improve the Group's liquidity, details of which are set out in note 3 "Basis of preparation" to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the eventual successful outcome of these measures, which presently are subject to multiple uncertainties. Should the Group fail to achieve the above-mentioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements of the Company for the year ended 31 December 2019.

Because of the significance of the matters above, we are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements of the Company for the year ended 31 December 2019 is appropriate."

## THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION

During the course of audit of the consolidated financial statement of the Company for the year ended 31 December 2019, the Auditors had raised concern on the Group's ability to operate as a going concern. In order to address this concern, the Group has, among other things, taken the following steps:

### (a) Loans payable and notes payable

(i) A loan payable of HK$18,000,000 which has been overdue since September 2018;

(ii) A loan payable of US$49,500,000, equivalent to approximately HK$386,816,000, which has been overdue since March 2019;

(iii) Note payable of US$40,000,000, equivalent to approximately HK$312,596,000, which has been due and payable since September 2019; and

(iv) A loan payable from financial institution of US$35,000,000, equivalent to approximately HK$273,450,000, of which there is a repayment on demand clause in the loan agreement that gives the lender an unconditional right at any time to require immediate payment. According to the repayment schedule of the loan agreement, US$5,000,000, equivalent to approximately HK$39,064,000, has been overdue since November 2019. The non-repayment of loan principal of such amount in accordance with the scheduled repayment terms has caused the relevant remaining non-overdue balance to become immediately repayable pursuant to the respective loan agreement.

For the above overdue loans payable and notes payable, the Group is currently in the process of negotiating with the loan lenders and the noteholder for extension of the liabilities.

### (b) Money lending business

The Group has been urging the customers of its money lending segment to settle all overdue loans. Up to the date of this report, the Group received approximately HK$19,000,000 from some of these customers and has applied such proceeds to settle part of the loan payables and be used as working capital of the Group. It is expected that the Group will receive more loan repayments from the customers in the year 2020. The Group intends to apply such proceeds to settle the outstanding loans and/or note payables and/or be used as working capital of the Group.

To address the going concern issue of the Auditors, the Group has been actively undertaking and will continue to undertake the following measures to improve the Group's working capital and cash flow position and mitigate its liquidity pressure:

**(a) Loans and notes payable**

For the overdue loans payable and notes payable, the Group will continue to negotiate with loan lenders and the noteholder for extension of the liabilities and/or debt restructure.

**(b) Future financing**

The Group is actively considering all possible fund-raising exercises and/or obtaining new loan facility with an aim to finance the above loans and interest repayments. As at the date of this report, the Group has not yet entered into any memorandum, arrangement or agreement about the aforesaid plan. Subject to the approval from the Stock Exchange and market conditions, it is expected that the Group will conduct such fund-raising activity in the near future, possibly before the end of 2020.

**(c) Cost-saving/reduction**

The Group plans to dispose of certain subsidiaries with minimal or no revenue contributions in the past years to save staff and administration costs. It is expected that the Group could be able to reduce certain administrative expenses in the coming financial year.

Taking all of the above measures and/or actions into consideration, the Board considers and is confident that the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue its businesses and operations as a going concern and the going concern issue will be fully resolved in the immediate future.

## AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The members of the audit committee of the Company (the "Audit Committee") had critically reviewed the Disclaimer of Opinion, the Management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management's position based on the reasons above. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer of Opinion that no such Disclaimer of Opinion to be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditors regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditors' rationale and understood their consideration in arriving their opinion.

## COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and he has confirmed that he has taken no less than 15 hours of relevant professional training in complied with the requirement of Rule 3.29 of the Listing Rules. The biography of the Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its responsibilities for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems. The Group has appointed an independent professional firm as the internal auditors to carry out internal audit of the Group covering the review of key internal controls in selected areas based on a key operational, financial and compliance risks as identified under the risk management frame work and as advised by the Audit Committee and the Management. The internal auditors report directly and primarily to the Audit Committee and assist the Board in monitoring and managing the risk and internal controls of the Group.

The Board and the Audit Committee have also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

The Group will continue to review the need for an internal audit function annually.

The Group has also formulated an inside information policy by providing guideline on handling inside information to directors and employees of the Company. The Group regularly reminds the directors and employees of the Company about compliance with all policies adopted by the Group regarding the inside information.

# INDEPENDENT AUDITOR'S REPORT

**PAN-CHINA (H.K.) CPA LIMITED** Certified Public Accountants
天健(香港)會計師事務所有限公司

**TO THE MEMBERS OF GT GROUP HOLDINGS LIMITED**
*(incorporated in Hong Kong with limited liability)*

## DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of GT Group Holdings Limited and its subsidiaries (the "Group") set out on pages 35 to 131, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OF OPINION

### Material Uncertainties Related to Going Concern

We draw attention to note 3 to the consolidated financial statements, which describes that the Group incurred a net loss of approximately HK$541,440,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$594,025,000, while its bank balances and cash amounted to approximately HK$21,096,000 only. Besides, as set out in notes 24 and 25 to the consolidated financial statements, the Group had i) a loan of HK$18,000,000 which has been overdue since September 2018; ii) a loan of US$49,500,000, equivalent to approximately HK$386,816,000, which has been overdue since mid-March 2019; iii) note payable of US$40,000,000, equivalent to approximately HK$312,596,000, which was due and payable since September 2019; and iv) a loan from a financial institution of US$35,000,000, equivalent to approximately HK$273,450,000, which has been overdue since November 2019. These conditions, together with others described in note 3 "Basis of preparation" to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity, details of which are set out in note 3 "Basis of preparation" to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the eventual successful outcome of these measures, which presently are subject to multiple uncertainties. Should the Group fail to achieve the above-mentioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

Because of the significance of the matters above, we are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate.

# INDEPENDENT AUDITOR'S REPORT

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") and 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

The engagement director on the audit resulting in this independent auditor's report is Hon Sai Wa.

**PAN-CHINA (H.K.) CPA LIMITED**
*Certified Public Accountants*

**Hon Sai Wa**
Practising Certificate Number: P06829

19/F., Kwan Chart Tower,
6 Tonnochy Road, Wanchai, Hong Kong

Hong Kong, 11 May 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

| | Notes | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| Revenue | 6 | **55,948** | (95,125) |
| Cost of services and sales | | **(2,079)** | (134) |
| Gross profit/(loss) | | **53,869** | (95,259) |
| Other income | 8 | **2,999** | 15,844 |
| Loss allowance on loans receivable | | **(168,873)** | (6,411) |
| Loss allowance on accounts and other receivables | | **(26,394)** | (4,702) |
| Impairment loss on property, plant and equipment | | **(15,527)** | – |
| Unrealised loss on financial assets at fair value through profit or loss | | **(145,599)** | (116,983) |
| Share of loss of associates, net of impairment on interests in associates | 15 | **(21,050)** | (316,958) |
| Administrative expenses | | **(71,084)** | (89,514) |
| Finance costs | 9 | **(150,700)** | (128,181) |
| Loss before tax | | **(542,359)** | (742,164) |
| Taxation | 12 | **919** | (2,544) |
| Loss for the year | 10 | **(541,440)** | (744,708) |
| Attributable to: | | | |
| Owners of the Company | | **(541,440)** | (744,708) |

| | | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|---|
| | | | (restated) |
| **Loss per share** | | | |
| — Basic and diluted | 13 | **(3.86)** | (5.31) |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Loss for the year** | 10 | **(541,440)** | (744,708) |
| **Other comprehensive (expense)/income for the year, net of income tax** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Fair value change in financial assets at fair value through other comprehensive income | | – | (25,727) |
| Recovery of cost of investment in financial assets of fair value through other comprehensive income | 16(ii)(b) | – | 23,418 |
| Gain on disposal of financial assets at fair value through other comprehensive income, net | 16(i) & (ii)(b) | – | 21,563 |
| | | – | 19,254 |
| *Items that may be subsequently reclassified to profit or loss:* | | | |
| Exchange differences arising on translation of overseas operations | | **(374)** | (1,941) |
| Share of other comprehensive expense of associates | 15 | **(6,494)** | (8,745) |
| | | **(6,868)** | (10,686) |
| Other comprehensive (expense)/income for the year | | **(6,868)** | 8,568 |
| **Total comprehensive expense for the year** | | **(548,308)** | (736,140) |
| **Attributable to:** | | | |
| **Owners of the Company** | | **(548,308)** | (736,140) |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **2,378** | 3,292 |
| Interests in associates | 15 | **362,344** | 389,888 |
| Prepayment | | **500** | 600 |
| Financial assets at fair value through other comprehensive income | 16 | **–** | – |
| Other assets | 17 | **2,205** | 2,205 |
| Trading right | 18 | **–** | – |
| Long-term loan receivable | 20 | **15,254** | 13,500 |
| | | **382,681** | 409,485 |
| **Current assets** | | | |
| Accounts and other receivables | 19 | **39,489** | 82,104 |
| Short-term loans receivable | 20 | **140,698** | 380,404 |
| Financial assets at fair value through profit or loss | 21 | **337,849** | 467,244 |
| Bank balances held under segregated trust accounts | 22 | **38,515** | 23,695 |
| Bank balances and cash | 22 | **21,096** | 22,894 |
| | | **577,647** | 976,341 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | **171,684** | 83,105 |
| Loans payable | 24 | **678,266** | 682,195 |
| Notes payable | 25 | **312,596** | 312,596 |
| Lease liabilities | 26 | **9,126** | – |
| | | **1,171,672** | 1,077,896 |
| **Net current liabilities** | | **(594,025)** | (101,555) |
| **Total assets less current liabilities** | | **(211,344)** | 307,930 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Notes payable | 25 | **196,182** | 172,959 |
| Deferred tax liabilities | 27 | **2,883** | 3,802 |
| Lease liabilities | 26 | **6,730** | – |
| | | **205,795** | 176,761 |
| **Net (liabilities)/assets** | | **(417,139)** | 131,169 |
| **Capital and reserves** | | | |
| Share capital | 28 | **2,824,801** | 2,824,801 |
| Reserves | | **(3,241,940)** | (2,693,632) |
| **Total equity** | | **(417,139)** | 131,169 |

The consolidated financial statements on pages 35 to 131 were approved and authorised for issue by the Board of Directors on 11 May 2020 and are signed on its behalf by:

**Li Dong**
*Director*

**Ng Shin Kwan, Christine**
*Director*

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

| | Share capital HK$'000 | Special reserve (Note a) HK$'000 | Other reserve (Note b) HK$'000 | Translation reserve HK$'000 | Fair value through other comprehensive income reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2018 | 2,824,801 | 3,587 | 2,651 | (452) | (39,547) | (1,923,731) | 867,309 |
| Loss for the year | – | – | – | – | – | (744,708) | (744,708) |
| Other comprehensive expense for the year | – | – | (8,745) | (1,941) | – | – | (10,686) |
| Fair value change in financial assets at fair value through other comprehensive income | – | – | – | – | (25,727) | – | (25,727) |
| Recovery of cost of investment in financial assets at fair value through other comprehensive income | – | – | – | – | 23,418 | – | 23,418 |
| Gain on disposal of financial assets at fair value through other comprehensive income, net | – | – | – | – | 21,563 | – | 21,563 |
| Total comprehensive (expense)/ income for the year | – | – | (8,745) | (1,941) | 19,254 | (744,708) | (736,140) |
| Transfer upon disposal of financial assets at fair value through other comprehensive income | – | – | – | – | 20,293 | (20,293) | – |
| Disposal of interest in a subsidiary | – | – | 1,600 | – | – | (1,600) | – |
| At 31 December 2018 and 1 January 2019 | 2,824,801 | 3,587 | (4,494) | (2,393) | – | (2,690,332) | 131,169 |
| Loss for the year | – | – | – | – | – | (541,440) | (541,440) |
| Other comprehensive expense for the year | – | – | (6,494) | (374) | – | – | (6,868) |
| Total comprehensive expense for the year | – | – | (6,494) | (374) | – | (541,440) | (548,308) |
| At 31 December 2019 | 2,824,801 | 3,587 | (10,988) | (2,767) | – | (3,231,772) | (417,139) |

*Notes:*

(a) Included in the special reserve, the amount of approximately HK$3,587,000 was reclassified as special reserve from share premium in preceding periods.

(b) Balance of other reserve as at 31 December 2019 and 2018, represent the accumulated share of other comprehensive expense of associates.

Included in the other reserve as at 1 January 2018, the negative amount of approximately HK$1,600,000 representing the difference between the consideration paid to acquire additional interest in a non-wholly owned subsidiary and the decrease in non-controlling interest of that subsidiary in prior year. During the year 2018, the subsidiary was de-registered and the amount of approximately HK$1,600,000 was transferred to accumulated losses.

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

| | Notes | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | **(542,359)** | (742,164) |
| Adjustments for: | | | |
| Finance costs recognised in profit or loss | | **150,700** | 128,181 |
| Interest income recognised in profit or loss | | **(20)** | (10) |
| Depreciation of property, plant and equipment | | **11,469** | 1,387 |
| Unrealised loss on financial assets at fair value through profit or loss | | **145,599** | 116,983 |
| Realised loss on financial assets at fair value through profit or loss | | **1,859** | 149,666 |
| Share of loss of associates, net of impairment on interests in associates | | **21,050** | 316,958 |
| Impairment loss on property, plant and equipment | | **15,527** | – |
| Loss allowance on accounts and other receivables | | **26,394** | 4,702 |
| Loss allowance on loans receivable | | **168,873** | 6,411 |
| Dividend income from financial assets at fair value through profit or loss | | **(1,470)** | (1,323) |
| Dividend income from financial assets at fair value through other comprehensive income | | **–** | (4,790) |
| Gain on disposal of property, plant and equipment | | **–** | (7) |
| **Operating cash flows before movements in working capital** | | **(2,378)** | (24,006) |
| Decrease in other assets | | **–** | 25 |
| Decrease/(increase) in loans receivable | | **69,079** | (95,997) |
| Decrease in prepayment | | **100** | 100 |
| Decrease/(increase) in accounts and other receivables | | **16,221** | (23,436) |
| (Increase)/decrease in bank balances held under segregated trust accounts | | **(14,820)** | 3,737 |
| Increase/(decrease) in trade and other payables | | **41,506** | (38,913) |
| Cash generated from/(used in) operations | | **109,708** | (178,490) |
| Interest paid | | **(77,202)** | (101,111) |
| Income tax refunded | | **–** | 1,381 |
| **Net cash generated from/(used in) operating activities** | | **32,506** | (278,220) |
| **Cash flows from investing activities** | | | |
| Acquisition of financial assets at fair value through profit or loss | | **(28,119)** | (259,839) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **10,056** | 360,958 |
| Dividend income from financial assets at fair value through profit or loss | | **1,470** | 1,323 |
| Dividend income from financial assets at fair value through other comprehensive income | | **–** | 4,790 |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | **–** | 41,275 |
| Recovery of cost of investment in financial assets at fair value through other comprehensive income | 16(ii)(b) | **–** | 23,418 |
| Interest received | | **20** | 10 |
| Acquisition of property, plant and equipment | | **(117)** | (188) |
| Proceeds from disposal of property, plant and equipment | | **–** | 7 |
| **Net cash (used in)/generated from investing activities** | | **(16,690)** | 171,754 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from loans | | **–** | 463,450 |
| Repayment of loans | | **(3,929)** | (386,250) |
| Principal element of lease payments | | **(10,109)** | – |
| Interest element of lease payments | | **(1,632)** | – |
| Bank charges | | **(1,572)** | (7,509) |
| **Net cash (used in)/generated from financing activities** | | **(17,242)** | 69,691 |
| **Net decrease in cash and cash equivalents** | | **(1,426)** | (36,775) |
| **Effect of foreign exchange rate changes** | | **(372)** | (1,064) |
| **Cash and cash equivalents brought forward** | | **22,894** | 60,733 |
| **Cash and cash equivalents carried forward** | | **21,096** | 22,894 |

*Note:*

**Major non-cash transaction**

(i) During the year ended 31 December 2018, the Group issued a promissory note (the "Promissory Note") in the principal amount of HK$196,000,000 to acquire an associate. The fair value of the Promissory Note was approximately HK$172,297,000 at issue date. The details of the associate and the Promissory Note were set out in notes 15(b)(iii) and 25(ii) respectively.

(ii) The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of approximately HK$10,827,000 were classified as operating activities in the consolidated statement of cash flows. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into principal element and interest element and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2.

The accompanying notes form an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 1. GENERAL INFORMATION

GT Group Holdings Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office and the principal place of business of the Company are disclosed in the corporate information section of this annual report.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 37.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively, the "Group") had applied a number of new HKFRSs and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2019. These new and revised HKFRSs have been applied by the Group for the first time in the current year unless otherwise specified. The impacts of these amendments are described below.

| | |
|---|---|
| HKFRS 16 | Leases |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Employee Benefits 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 |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle |

The application of the above new and revised to HKFRSs in the current year, except for HKFRS 16, has no material impact on the Group's consolidated financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

### HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of HKFRS 16 on the Group's consolidated financial statements is described below.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### HKFRS 16 Leases (Continued)

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. Comparative information has not been restated and continues to be reported under HKAS 17. The adjustments arising from the new leasing rules are therefore recognised in the opening balances of the consolidated statement of financial position on 1 January 2019. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in HKFRS 16 have not generally been applied to comparative information.

**(a) Impact of the new definition of a lease**

The Group has made use of the practical expedient available on transition to HKFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with HKAS 17 and HK(IFRIC)-Int 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. HKFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in HKAS 17 and HK(IFRIC)-Int 4.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed for whether there is a lease under HKFRS 16. Therefore, the definition of a lease under HKFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

**(b) Impact on lessee accounting**

*(i) Former operating leases*

HKFRS 16 changes how the Group accounts for leases previously classified as operating leases under HKAS 17, which were off balance sheet.

Applying HKFRS 16, for all leases (except as noted below), the Group:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under HKAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under HKFRS 16, right-of-use assets are tested for impairment in accordance with HKAS 36.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### HKFRS 16 Leases (Continued)

**(b) Impact on lessee accounting** (Continued)

*(i) Former operating leases (Continued)*

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by HKFRS 16. This expense is presented within 'other expenses' in profit or loss.

*(ii) Former finance leases*

The main differences between HKFRS 16 and HKAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. HKFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by HKAS 17. This change did not have any effect on the Group's consolidated financial statements as the Group did not have any finance lease payables.

**(c) Impact on lessor accounting**

HKFRS 16 does not change substantially how a lessor accounts for leases. Under HKFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, HKFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under HKFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under HKAS 17).

This change did not have any effect on the Group's consolidated financial statements as the Group did not have any finance lease receivables.

**(d) Financial impact of the initial application of HKFRS 16**

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 (date of initial application of HKFRS 16). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8% per annum.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### HKFRS 16 Leases (Continued)

**(d) Financial impact of the initial application of HKFRS 16** (Continued)

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term within 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Upon adoption of HKFRS 16, principal elements of lease payments and related interest portion have been classified within financing activities.

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 31 December 2018 and lease liabilities recognised in the opening of the consolidated statement of financial position as at 1 January 2019 (date of initial application of HKFRS 16) is as follows:

| | HK$'000 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 (note 30) | 27,933 |
| Effect of discounting | (2,353) |
| Lease liabilities recognised as at 1 January 2019 | 25,580 |
| Of which are: | |
| – Current lease liabilities | 10,043 |
| – Non-current lease liabilities | 15,537 |
| | 25,580 |

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy resulted in the recognition of both right-of-use assets and lease liabilities of HK$25,580,000 in the opening of the consolidated statement of financial position on 1 January 2019.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### HKFRS 16 Leases (Continued)

**(d) Financial impact of the initial application of HKFRS 16** (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

| | Carrying amount at 31 December 2018 HK$'000 | HKFRS 16 adjustment HK$'000 | **Carrying amount at 1 January 2019 HK$'000** |
|---|---|---|---|
| **Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:** | | | |
| Property, plant and equipment | 3,292 | 25,580 | **28,872** |
| **Total non-current assets** | 409,485 | 25,580 | **435,065** |
| Lease liabilities (current) | – | 10,043 | **10,043** |
| **Current liabilities** | 1,077,896 | 10,043 | **1,087,939** |
| **Net current liabilities** | 101,555 | 10,043 | **111,598** |
| **Total assets less current liabilities** | 307,930 | 15,537 | **323,467** |
| Lease liabilities (non-current) | – | 15,537 | **15,537** |
| **Total non-current liabilities** | 176,761 | 15,537 | **192,298** |
| **Net assets** | 131,169 | – | **131,169** |

*Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### HKFRS 16 Leases (Continued)

**(d) Financial impact of the initial application of HKFRS 16** (Continued)

*Impact on the financial result, segment results and cash flows of the Group* (Continued)

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The Group has not applied any of the following new HKFRSs, amendments to HKFRSs and new interpretations ("new and revised HKFRSs") that have been issued but are not yet mandatorily effective:

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a Business[1] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[1] |
| HKFRS 17 | 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] |
| Conceptual Framework | Amendments to References to the Conceptual Framework for Financial Reporting[1] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform[1] |

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] No mandatory effective date yet determined but available for adoption

Management is in the process of making an assessment of the impact of these new standards and amendments in the period of initial application. These new standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

### Basis of preparation

**Going Concern Basis**

The consolidated financial statements depict the Group incurred a net loss of approximately HK$541,440,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$594,025,000. Its total loans payables and notes payable amounted to approximately HK$1,187,044,000, out of which approximately HK$990,862,000 has been overdue. The Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations and taken the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

(a) *Loans payable and notes payable*

(i) A loan payable of HK$18,000,000 which has been overdue since September 2018;

(ii) A loan payable of US$49,500,000, equivalent to approximately HK$386,816,000, which has been overdue since March 2019;

(iii) Note payable of US$40,000,000, equivalent to approximately HK$312,596,000, which was due and payable since September 2019; and

(iv) A loan payable from financial institution of US$35,000,000, equivalent to approximately HK$273,450,000, of which there is a repayment on demand clause in the loan agreement that gives the lender an unconditional right at any time to require immediate payment. According to the repayment schedule of the loan agreement, US$5,000,000, equivalent to approximately HK$39,064,000, which has been overdue since November 2019. The non-repayment of loan principal of such amount in accordance with the scheduled repayment terms had caused the relevant remaining non-overdue balance to become immediately repayable pursuant to the respective loan agreement.

For the above overdue loans payable and notes payable, the Group is currently in the process of negotiating with loan lenders and the noteholder for extension of the liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of preparation (Continued)

**Going Concern Basis** (Continued)

(b) *Money lending business*

The Group has been urging the customers of its money lending segment to settle all overdue loans. Up to the date of this report, the Group received approximately HK$19,000,000 from some of these customers and has applied such proceeds to settle part of the loans payable and be used as working capital of the Group. It is expected that the Group will receive more loan repayments from the customers in the year 2020. The Group intends to apply such proceeds to settle the outstanding loans and/or notes payable and/or be used as working capital of the Group.

(c) *Future financing*

The Group is actively considering all possible fund-raising exercises and/or obtaining new loan facility with an aim to finance the above loans and interest repayments. As at the date of this report, the Group has not yet entered into any memorandum, arrangement or agreement about the aforesaid plan. Subject to the approval from the Stock Exchange and market conditions, it is expected that the Group will conduct such fund-raising activity in the near future, possibly before the end of 2020.

(d) *Cost-saving/reduction*

The Group plans to dispose of certain subsidiaries with minimal or no revenue contributions in the past years to save staff and administration costs. It is expected that the Group could be able to reduce certain administrative expenses in the coming financial year.

Taking all of the above measures and/or actions into consideration, the Directors consider and are confident that the Group will have sufficient liquidity to finance its operations for the next twelve months. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of preparation (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, 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 this financial information is determined on such a basis, except for share-based payments transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are within the scope of HKFRS 16 "*Leases*" 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*".

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 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.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

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 considers that 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, results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

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

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. 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 required/permitted by applicable HKFRS Standards). 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 HKFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

### Subsidiaries

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 37), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

### Business combinations

Acquisitions of businesses 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 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 assets or liabilities 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 (see the accounting policy below); and

- 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations (Continued)

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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. 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.

When the consideration transferred by the Group in a business combination includes 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 fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. 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 changes in the fair value of 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. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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 during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

### Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

Property, plant and equipment held for use in the production and supply of goods and services, or for administrative purposes, are stated at cost less 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 and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

| | |
|---|---|
| Leasehold improvements | Over the term of the leases |
| Furniture and fixtures | 20%–33% |
| Motor vehicles | 20% |

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.

Right-of-use assets (classified as properties leased for own use) are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

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.

### Borrowing costs

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

### Trading right

Trading right represents the right of trading on the Stock Exchange. Trading right is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation for trading right is provided to write off the relevant cost on a straight-line basis over the estimated useful lives.

Any gain or loss arising from derecognition of trading right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss when the asset is derecognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

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

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments** (Continued)

**Financial assets** (Continued)

*Classification of financial assets* (Continued)

Despite the foregoing, the Group may make the following irrevocable election/designation at 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 if certain criteria are met (see (ii) below); and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item (note 8).

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments** (Continued)

**Financial assets** (Continued)

*Classification of financial assets* (Continued)

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling 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 evidence of 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).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income' line item (note 8) in profit or loss.

The Group has designated all investments in equity instruments that are not held for trading as FVTOCI on initial recognition (see note 16).

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments** (Continued)

**Financial assets** (Continued)

*Classification of financial assets* (Continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (ii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (ii) above).

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as 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 to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other income' line item (note 8). Fair value is determined in the manner described in note 5(b).

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other income' line item (note 8);

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other income' line item (note 8); and

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the translation reserve.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments** (Continued)

**Financial assets** (Continued)

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses ("ECL") for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

*(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Impairment of financial assets* (Continued)

(i) Significant increase in credit risk (Continued)

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

- 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 for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- 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;

- significant increases in credit risk on other financial instruments of the same debtor; and

- 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 on a financial asset 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 financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) the financial instrument has a low risk of default;

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

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

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'low risk'. Low risk means that the counterparty has a strong financial position and there is no past due amounts.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments** (Continued)

**Financial assets** (Continued)

*Impairment of financial assets* (Continued)

(i) Significant increase in credit risk (Continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- 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 analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired 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 (see (ii) above);

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments** (Continued)

**Financial assets** (Continued)

*Impairment of financial assets* (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses 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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments** (Continued)

**Financial assets** (Continued)

*Impairment of 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. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**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 Group 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 measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial liabilities** (Continued)

*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, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as 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.

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.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other income' line item (note 8) in profit or loss.

However, 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. The remaining amount of change in the fair value of liability is recognised in profit or loss. 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 earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments** (Continued)

**Financial liabilities** (Continued)

*Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

*Financial guarantee contract liabilities*

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 and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (see financial assets above); and

- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

*Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other income' line item in profit or loss (note 8) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

**Financial liabilities** (Continued)

*Derecognition of financial liabilities*

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

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

### Equity-settled share-based payment transactions

**Share options granted to employees**

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option 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 option reserve will be transferred to retained earnings.

**Share options granted to other participants**

For share options granted to parties other than employees in exchange for services, they are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve), and when the counterparties render services, unless the services qualify for recognition as assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets;

— goodwill; and

— interests in subsidiaries in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— **Reversals of impairment losses**

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, 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.

Further details of the Group's revenue and other income recognition policies are as follows:

**(i) Brokerage commission income**

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

**(ii) Sales of goods**

Sales of goods are recognised at a point in time when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

**(iii) Interest income**

Interest income is recognised as it accrues using the effective interest method.

**(iv) Handling and settlement fee income**

Handling and settlement fee income are recognised when the related services are rendered.

**(v) Dividends**

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

**(vi) Investment trading**

Income from investment trading, including realised fair value gains or losses on trading of investment, is recognised on a trade date basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

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

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

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

- exchange differences on transactions entered into to hedge certain foreign currency risks; and

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (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, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a separate component of 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 includes a foreign operation 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 that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

**The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2)**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

— Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

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

— The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

— Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

— The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

— The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

**The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2)** (Continued)

— A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured 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 did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a right-of-use asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain 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.

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### Employee benefits

**(a) Pension obligations**

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited for those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Employee benefits (Continued)

**(b) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

### 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 the key management personnel of the Group.

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

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

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

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

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

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

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

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

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.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

### Critical judgements in applying the Group's accounting policies

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

**Income taxes and deferred taxation**

The Group is subject to income taxes in the People's Republic of China ("PRC") and Hong Kong. Significant judgement is required in determining the provision for income taxes in these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the management of the Company determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at 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, are discussed below.

**(a) Impairment of interests in associates**

The Group reviews the carrying amounts of its interests in associates to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating units ("CGU"). The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs of disposal and value in use.

The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The fair value estimation requires the Group to use market observable data to the extent that it is available. The Group engaged independent professional valuer to establish appropriate techniques and inputs for the valuation of interests in associates. Where the recoverable amount of the interests in associates is less than the carrying amount, a material impairment loss may arise.

Changes to the inputs and assumptions underlying the assessment of the recoverable value may result in changes to impairment charges, which could have a significant impact on the financial information in future periods.

As at 31 December 2019, the carrying amount of the interests in associates was approximately HK$362,344,000 (2018: HK$389,888,000) (net of accumulated impairment losses of HK$316,172,000 (2018: HK$306,893,000)).

**(b) Loss allowance for ECL**

The Group's management estimates the loss allowance for financial assets at amortised cost including accounts receivable, loans receivable and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, recoverable amount of securities collateral, past collection history of borrowers, concentration risk of borrowers, the Group's actual loss experience, existing market conditions as well as forward-looking estimate at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the financial assets at amortised cost. Details of the key assumption and inputs used in estimating ECL are set out in note 5 to the consolidated financial statements.

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

### (a) Categories of financial instruments

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at FVTOCI | – | – |
| Financial assets at FVTPL | | |
| — held for trading | 337,849 | 467,244 |
| At amortised cost | | |
| — accounts and other receivables | 38,987 | 81,442 |
| — long-term loan receivable | 15,254 | 13,500 |
| — short-term loans receivable | 140,698 | 380,404 |
| — bank balances held under segregated trust accounts | 38,515 | 23,695 |
| — bank balances and cash | 21,096 | 22,894 |
| | 592,399 | 989,179 |
| **Financial liabilities** | | |
| At amortised cost | | |
| — trade and other payables | 171,684 | 83,105 |
| — loans payable | 678,266 | 682,195 |
| — notes payable | 508,778 | 485,555 |
| — lease liabilities | 15,856 | – |
| | 1,374,584 | 1,250,855 |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTOCI, financial assets at FVTPL, accounts and other receivables, loans receivable, bank balances held under segregated trust accounts, bank balances and cash, trade and other payables, loans payable, notes payable and lease liabilities. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment**

Credit risk arises from a number of areas. These include the possibility that a counterparty in a transaction may default during the settlement process. It also arises from lending, settlement, treasury, market making, proprietary trading and other activities undertaken by the Group.

The management are responsible for establishing the credit approval and monitoring procedures, which are in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Hong Kong Securities and Futures Commission.

The management are responsible for review of guidelines on credit limits, review stock concentration and review portfolios of major clients on a regular basis and approval of specific loans or advances if the amount exceeds pre-set guidelines.

Accounts, loans and other receivables consist of amounts due from clients, loans receivables, and other receivable items. In respect of advances to clients, the Group generally requires collateral from clients before advances are granted. Collateral normally takes the form of listed securities or cash deposits. For loans receivable, individual credit reviews are performed for granting the credit facilities. These reviews focus on the customer's and guarantor's (if any) background information, past history of making payments when due and current ability to pay, value of collateral pledged (if any), status on register of trade receivables (if any) and the economic environment in which the customer operates.

The maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is represented by the carrying value of each financial asset recognised. The credit risk of amounts due from margin clients is mitigated because they are secured over listed securities. The Group does not provide any guarantees which would expose the Group to credit risk.

Bank balances are placed in various authorised institutions with high credit rating and the Group considers the credit risk not significant.

Except for bank balances, the Group considers there is no other significant concentration of credit risk.

*Groupings based on shared risks characteristics*

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as instrument type, credit risk grade, collateral type, remaining term to maturity and the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value ratios). The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment** (Continued)

*Groupings based on shared risks characteristics* (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Financial assets at amortised cost |
|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | 12-month ECL |
| Substandard | Debtor frequently repays after due dates in full | 12-month ECL |
| Doubtful | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL — not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL — credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment** (Continued)

*Groupings based on shared risks characteristics* (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

| As at 31 December 2019 | Notes | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount | |
|---|---|---|---|---|---|
| | | | | HK'000 | HK'000 |
| **Financial assets at amortised cost** | | | | | |
| Accounts and other receivables | 19 | Low risk/substandard | 12-month ECL | 12,467 | |
| | | Doubtful | Lifetime ECL (not credit-impaired) | 24 | |
| | | Loss | Lifetime ECL credit-impaired | 61,310 | 73,801 |
| Loans receivable | 20 | Low risk/substandard | 12-month ECL | 56,254 | |
| | | Loss | Lifetime ECL credit-impaired | 285,723 | 341,977 |
| Bank balances held under segregated trust accounts | 22 | Low risk | 12-month ECL | | 38,515 |
| Bank balances and cash | 22 | Low risk | 12-month ECL | | 20,537 |

*Note*: Prepayment of approximately HK$502,000 (2018: approximately HK$529,000) under accounts and other receivables were not classified as financial assets at amortised cost.

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment** (Continued)

*Groupings based on shared risks characteristics* (Continued)

| As at 31 December 2018 | Notes | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount | |
|---|---|---|---|---|---|
| | | | | HK'000 | HK'000 |
| **Financial assets at amortised cost** | | | | | |
| Accounts and other receivables | 19 | Low risk/substandard | 12-month ECL | 88,147 | |
| | | Loss | Lifetime ECL credit-impaired | 1,848 | 89,995 |
| Loans receivable | 20 | Low risk/substandard | 12-month ECL | | 411,056 |
| Bank balances held under segregated trust accounts | 22 | Low risk | 12-month ECL | | 23,695 |
| Bank balances and cash | 22 | Low risk | 12-month ECL | | 22,699 |

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment** (Continued)

*Groupings based on shared risks characteristics* (Continued)

The following tables show reconciliation of loss allowances that has been recognised for accounts, loans and other receivables.

| | 12-month ECL HK$'000 | Lifetime ECL (not credit-impaired) HK$'000 | Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **As at 1 January 2019** | 23,724 | – | 1,848 | 25,572 |
| Changes due to financial instruments recognised as at 1 January: | | | | |
| — Transfer to not credit-impaired | (2) | 2 | – | – |
| — Transfer to credit-impaired | (20,151) | – | 20,151 | – |
| — Repayment and derecognition | (3,569) | – | – | (3,569) |
| — Remeasurement of ECL | 4,362 | 11 | 194,463 | 198,836 |
| | (19,360) | 13 | 214,614 | 195,267 |
| As at 31 December 2019 | 4,364 | 13 | 216,462 | 220,839 |

Amount of approximately HK$4,364,000 provision made under 12-month ECL is relating to financial assets with grosss amount of approximately HK$68,721,000. Amount of approximately HK$13,000 provision made under Lifetime ECL (not credit-impaired) is relating to financial assets with gross amount of approximately HK$24,000. Amount of approximately HK$216,462,000 provision made under Lifetime ECL (credit-impaired) is relating to financial assets with gross amount of approximately HK$347,033,000.

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk and impairment assessment** (Continued)

*Groupings based on shared risks characteristics* (Continued)

| | 12-month ECL HK$'000 | Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|
| **As at 31 December 2017 under HKAS 39** | – | 1,848 | 1,848 |
| Adjustment upon initial application of HKFRS 9 | 12,612 | – | 12,612 |
| **As at 1 January 2018** (as restated) | 12,612 | 1,848 | 14,460 |
| Changes due to financial instruments recognised as at 1 January 2018: | | | |
| — Repayment and derecognition | (5) | – | (5) |
| — Remeasurement of ECL | 11,117 | – | 11,117 |
| | 11,112 | – | 11,112 |
| As at 31 December 2018 | 23,724 | 1,848 | 25,572 |

Amount of approximately HK$23,724,000 provision made under 12-month ECL is relating to financial assets with grosss amount of approximately HK$499,203,000. Amount of approximately HK$1,848,000 provision made under Lifetime ECL (credit-impaired) is relating to financial assets with gross amount of approximately HK$1,848,000.

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Market risk**

*(i) Foreign currency risk*

Foreign currency risk is the risk that the holding of monetary assets and liabilities and entering into transactions denominated in foreign currencies which will affect the Group's financial position and performance as a result of a change in foreign currency exchanges rates. At the end of the financial year, certain accounts and other receivables, bank balances and cash and trade and other payables, loans payable and notes payable are denominated in or linked to foreign currencies, details of which are set out in respective notes, expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Assets** | | |
| Renminbi ("RMB") | 693 | 107 |
| United States Dollars ("US$") | 1,655 | 58 |
| **Liabilities** | | |
| US$ | 1,039,755 | 1,000,630 |

As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency. Thus, the Group is mainly exposed to the currency risk of RMB.

The following table demonstrates the sensitivity analysis of the carrying amounts of significant outstanding monetary assets and monetary liabilities denominated in RMB at the end of reporting period if there was a 5% change in the exchange rate of the HK$ against RMB, with all other variables held constant, of the Group's post-tax loss. 5% sensitivity rate used represents management's assessment of the reasonably possible changes in foreign exchange rates.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | (Decrease)/ increase in exchange rate<br>% | (Decrease)/ increase in post-tax loss<br>HK$'000 | (Decrease)/ increase in exchange rate<br>% | (Decrease)/ increase in post-tax loss<br>HK$'000 |
| If HK$ weakens against RMB | (5) | (29) | (5) | (4) |
| If HK$ strengthens against RMB | 5 | 29 | 5 | 4 |

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Market risk** (Continued)

*(ii) Price risk*

The Group is exposed to equity security price risk through its financial assets at FVTPL. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis for held for trading investments:

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in equity prices %** | **(Decrease)/ increase in post-tax loss HK$'000** | Increase/ (decrease) in equity prices % | (Decrease)/ increase in post-tax loss HK$'000 |
| *Financial assets at FVTPL* | | | | |
| Changes on equity prices | **5** | **14,105** | 5 | (19,507) |
| Changes on equity prices | **5** | **(14,105)** | (5) | 19,507 |

*(iii) Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed rate loans receivable and payable. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to the interest bearing bank balances held under segregated trust accounts and bank balances and cash. The future variations in interest rates will not have a significant impact on the results of the Group, as the Group's variable rates bank balances are all short-term in nature and at the prevailing market interest rates. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise. The directors of the Company considered the Group's exposure to interest rate risk for bank balances is not material. Hence, no interest rate risks sensitively analysis is presented.

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Liquidity risk**

Liquidity risk management is mainly to maintain sufficient bank balances and cash and the availability of fundings through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed banking facilities and other external financing available.

The Group's primary cash requirements have been for capital investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and from fund raising through placement of new shares.

The following table shows the remaining contractual maturities as at 31 December 2019 and 2018 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

**Liquidity table**

| | Weighted average annual interest rate | On demand or less than 1 month HK$'000 | 1–3 months HK$'000 | 3 months to 1 year HK$'000 | 1–5 years HK$'000 | > 5 years HK$'000 | Total undiscounted cash flow HK$'000 | Carrying amounts HK$'000 |
|---|---|---|---|---|---|---|---|---|
| 2019 | | | | | | | | |
| — Loans payable | 13.49% | 678,266 | – | – | – | – | 678,266 | 678,266 |
| — Trade and other payables | – | 171,684 | – | – | – | – | 171,684 | 171,684 |
| — Notes payable | 8% | 312,596 | – | – | 243,040 | – | 555,636 | 508,778 |
| — Lease liabilities | – | – | 2,937 | 7,070 | 6,955 | – | 16,962 | 15,856 |
| | | 1,162,546 | 2,937 | 7,070 | 249,995 | – | 1,422,548 | 1,374,584 |

| | Weighted average annual interest rate | On demand or less than 1 month HK$'000 | 1–3 months HK$'000 | 3 months to 1 year HK$'000 | 1–5 years HK$'000 | > 5 years HK$'000 | Total undiscounted cash flow HK$'000 | Carrying amounts HK$'000 |
|---|---|---|---|---|---|---|---|---|
| 2018 | | | | | | | | |
| — Loans payable | 12.85% | 20,811 | 406,886 | 53,314 | 266,918 | – | 747,929 | 682,195 |
| — Trade and other payables | – | 83,105 | – | – | – | – | 83,105 | 83,105 |
| — Notes payable | 8% | – | 12,598 | 326,092 | 243,040 | – | 581,730 | 485,555 |
| | | 103,916 | 419,484 | 379,406 | 509,958 | – | 1,412,764 | 1,250,855 |

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Fair value measurement**

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Other than certain financial assets at FVTPL, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group's 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 value of the financial assets at FVTPL are determined (in particular, the valuation technique and inputs used).

| Financial assets | Fair values as at 31 December 2019 HK$'000 | 2018 HK$'000 | Fair value hierarchy | Valuation techniques and key inputs |
|---|---|---|---|---|
| Financial assets at FVTPL — Listed equity securities | **337,849** | 467,244 | Level 1 | Quoted bid prices in active markets |

*Notes:*

(i) There were no transfers amongst Level 1, 2 and 3 during both years.

### (c) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during both years.

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

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of the directors, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the redemption of existing debts.

## 6. REVENUE

An analysis of the Group's revenue for the year is as follows:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Revenue from contracts with customers | | |
| — Commission and brokerage income | **606** | 1,196 |
| — Sales of cosmetic products | **1,583** | – |
| | **2,189** | 1,196 |
| Revenue from other sources | | |
| — Interest income from provision of finance | **50,112** | 48,044 |
| — Interest income from margin and cash clients | **5,506** | 5,301 |
| — Net realised results from securities trading* | **(1,859)** | (149,666) |
| | **53,759** | (96,321) |
| | **55,948** | (95,125) |

During the year, all the revenue from contracts with customers is recognised at a point in time.

* Represented the proceeds from the sale of investments at fair value through profit or loss of approximately HK$10,056,000 (2018: approximately HK$360,958,000) less cost of sales and the weighted average cost of the investments sold of approximately HK$11,915,000 (2018: approximately HK$510,624,000).

## 7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

### Business segment information

The Group's reportable and operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), are as follows:

- trading of goods;
- provision of finance; and
- brokerage and securities investment.

For the purposes of resource allocation and assessment of segment performance, CODM monitors the results and assets and liabilities attributable to each reportable segment on the following basis:

- Segment revenue represents revenue generated from external customers; net gain/(loss) on investments held for trading activities are also included in segment revenue;
- Segment results represent the profit earned or loss incurred by each segment without allocation of corporate income and expenses, share of results of associates, central administration costs, directors' salaries, finance costs for loans payable and income tax credit or expense;
- Segment assets include all tangible and intangible assets and current assets;
- Segment liabilities include all trade and other payables, lease liabilities and deferred tax liabilities;
- Unallocated assets include, financial assets at fair value through other comprehensive income, interests in associates and other assets for the corporate use; and
- Unallocated liabilities include loans payable, other payables, lease liabilities and notes payable unallocated.

## 7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

### Business segment information (Continued)

**For the year ended 31 December 2019**

| | Trading of goods HK$'000 | Provision of finance HK$'000 | Brokerage and securities investment HK$'000 | Elimination/ unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Segment revenue and results** | | | | | |
| **REVENUE** | | | | | |
| External sales | 1,583 | 50,112 | 4,253 | – | 55,948 |
| Inter-segment sales* | – | – | 17 | (17) | – |
| Segment revenue | 1,583 | 50,112 | 4,270 | (17) | 55,948 |
| **RESULTS** | | | | | |
| Segment results | (171) | (122,820) | (175,208) | – | (298,199) |
| Unallocated income | | | | | 915 |
| Unallocated expenses | | | | | (73,325) |
| Finance costs | | | | | (150,700) |
| Share of loss of associates, net of impairment on interests in associates | | | | | (21,050) |
| Loss before tax | | | | | (542,359) |
| **Segment assets and liabilities** | | | | | |
| **ASSETS** | | | | | |
| Segment assets | 2,106 | 165,551 | 414,286 | (5) | 581,938 |
| Unallocated assets | | | | | 378,390 |
| Total consolidated assets | | | | | 960,328 |
| **LIABILITIES** | | | | | |
| Segment liabilities | 10 | 567,163 | 85,684 | (566,276) | 86,581 |
| Unallocated liabilities | | | | | 1,290,886 |
| Total consolidated liabilities | | | | | 1,377,467 |
| **Other information:** | | | | | |
| Additions to property, plant and equipment | – | – | 15 | 487 | 502 |
| Depreciation of property, plant and equipment | – | 9 | 2,694 | 8,766 | 11,469 |
| Impairment loss on property, plant and equipment | – | – | 976 | 14,551 | 15,527 |
| Net unrealised loss on financial assets at fair value through profit or loss | – | – | 145,599 | – | 145,599 |
| Income tax credits | – | – | – | 919 | 919 |

* Inter-segment sales were charged at terms determined and agreed between the group companies.

## 7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

### Business segment information (Continued)

**For the year ended 31 December 2018**

| | Trading of goods HK$'000 | Provision of finance HK$'000 | Brokerage and securities investment HK$'000 | Elimination/ unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Segment revenue and results** | | | | | |
| **REVENUE** | | | | | |
| External sales | – | 48,044 | (143,169) | – | (95,125) |
| Inter-segment sales* | – | – | 185 | (185) | – |
| Segment revenue | – | 48,044 | (142,984) | (185) | (95,125) |
| **RESULTS** | | | | | |
| Segment results | – | 37,016 | (278,886) | – | (241,870) |
| Unallocated income | | | | | 14,261 |
| Unallocated expenses | | | | | (69,416) |
| Finance costs | | | | | (128,181) |
| Share of loss of associates, net of impairment on interests in associates | | | | | (316,958) |
| Loss before tax | | | | | (742,164) |
| **Segment assets and liabilities** | | | | | |
| **ASSETS** | | | | | |
| Segment assets | – | 417,662 | 554,301 | – | 971,963 |
| Unallocated assets | | | | | 413,863 |
| Total consolidated assets | | | | | 1,385,826 |
| **LIABILITIES** | | | | | |
| Segment liabilities | – | 523,189 | 47,107 | (522,297) | 47,999 |
| Unallocated liabilities | | | | | 1,206,658 |
| Total consolidated liabilities | | | | | 1,254,657 |
| **Other information:** | | | | | |
| Additions to property, plant and equipment | – | 45 | 143 | – | 188 |
| Depreciation of property, plant and equipment | – | 5 | 978 | 404 | 1,387 |
| Net unrealised loss on financial assets at fair value through profit or loss | – | – | 116,983 | – | 116,983 |
| Income tax (credits)/expenses | – | – | (1,258) | 3,802 | 2,544 |

* Inter-segment sales were charged at terms determined and agreed between the group companies.

## 7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

### Geographical segment information

The Group's three reportable and operating segments operate in Hong Kong and all the Group's revenue from external customers for the years ended 31 December 2019 and 2018 were derived from Hong Kong.

The following table provides an analysis of the Group's non-current assets (excluding financial assets) based on the geographical markets as follows:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| PRC | **362,344** | 389,888 |
| Hong Kong | **5,083** | 6,097 |
| Others | **–** | – |
| | **367,427** | 395,985 |

### Information about major customers

The following is an analysis of revenue from customers contributing over 10% of total revenue of the Group (excluding the net realised results from securities trading) for the current and prior years:

| | Reportable and operating segments | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| Customer A | Provision of finance/brokerage and securities investment | **10,825** | 14,152 |
| Customer B | Provision of finance | **6,640** | N/A# |
| Customer C | Provision of finance | **N/A*** | 7,157 |
| Customer D | Provision of finance | **N/A*** | 6,123 |
| Customer E | Provision of finance/brokerage and securities investment | **N/A*** | 5,115 |

* Revenue from Customer C, D and E did not contribute over 10% of the total revenue of the Group (excluding the net realised results from securities trading) for the year ended 31 December 2019.

# Revenue from Customers B did not contribute over 10% of the total revenue of the Group (excluding the net realised results from securities trading) for the year ended 31 December 2018.

## 8. OTHER INCOME

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Bank interest income | **20** | 10 |
| Other interest income | **31** | 14 |
| Sundry income | **1,478** | 9,700 |
| Dividend income from financial assets at FVTOCI | **–** | 1,323 |
| Dividend income from financial assets at FVTPL | **1,470** | 4,790 |
| Gain on disposal of property, plant and equipment | **–** | 7 |
| | **2,999** | 15,844 |

## 9. FINANCE COSTS

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Interest on other borrowings wholly repayable within five years | **84,990** | 92,086 |
| Notes payable interest expenses | **41,259** | 25,948 |
| Imputed interest expenses on promissory note | **21,247** | 2,638 |
| Interest on lease liabilities | **1,632** | – |
| Bank charges | **1,572** | 7,509 |
| | **150,700** | 128,181 |

## 10. LOSS FOR THE YEAR

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Loss for the year has been arrived at after charging:** | | |
| Staff costs including directors' remuneration | | |
| — Salaries, allowances and other benefits | **26,446** | 28,752 |
| — Retirement benefits schemes contributions | **813** | 781 |
| | **27,259** | 29,533 |
| Auditors' remuneration | | |
| Audit services | **1,550** | 1,550 |
| Non-audit services | **603** | 903 |
| | **2,153** | 2,453 |
| Share of loss of associates, net of impairment on interests on associates | **(21,050)** | (316,958) |
| Impairment loss on property, plant and equipment | **15,527** | – |
| Loss allowance on loans receivable | **168,873** | 6,411 |
| Loss allowance on accounts and other receivables | **26,394** | 4,702 |
| Depreciation of property, plant and equipment | **11,469** | 1,387 |
| Foreign exchange loss, net | **3** | 881 |

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

Directors' emoluments disclosed pursuant to Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

| | | Fee | | Salaries and other benefits | | Retirement benefits schemes contributions | | Discretionary bonus | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | Note | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Executive directors** | | | | | | | | | | | |
| Li Dong | | **–** | – | **1,423** | 1,509 | **18** | 18 | **–** | 100 | **1,441** | 1,627 |
| Ng Shin Kwan, Christine | | **–** | – | **910** | 910 | **18** | 18 | **–** | 70 | **928** | 998 |
| Chan Ah Fei | | **650** | 650 | **–** | – | **–** | – | **–** | 50 | **650** | 700 |
| Liang Shan | | **650** | 665 | **–** | – | **–** | – | **–** | 50 | **650** | 715 |
| Feng Taiguo | i | **–** | 263 | **–** | – | **–** | – | **–** | – | **–** | 263 |
| Kwong Kai Sing, Benny | ii | **–** | 288 | **–** | – | **–** | – | **–** | – | **–** | 288 |
| **Independent non-executive directors** | | | | | | | | | | | |
| Wong Yun Kuen | | **120** | 120 | **–** | – | **–** | – | **–** | – | **120** | 120 |
| Wong Shun Loy | | **162** | 144 | **–** | – | **–** | – | **–** | – | **162** | 144 |
| Hu Chao | | **120** | 120 | **–** | – | **–** | – | **–** | – | **120** | 120 |
| | | **1,702** | 2,250 | **2,333** | 2,419 | **36** | 36 | **–** | 270 | **4,071** | 4,975 |

*Notes:*

(i) Mr. Feng Taiguo resigned on 8 June 2018.

(ii) Dr. Kwong Kai Sing, Benny resigned on 18 April 2018.

Salaries, allowances and benefits in kind paid to or for the executive directors are generally entitlements paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

The performance related incentive payments are determined with reference to the operating results, individual performance and comparable market statistics.

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2019 (2018: Nil). During the year ended 31 December 2019, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors of the Company whose emoluments are included in the disclosures set out in Note 11(a) above. The emoluments of the remaining highest paid individuals were as follows:

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Salaries, allowances and other benefits | **2,790** | 3,660 |
| Retirement benefit schemes contributions | **36** | 36 |
| | **2,826** | 3,696 |

Their emoluments were within the following bands:

| | **2019**<br>**No. of**<br>**employees** | 2018<br>No. of<br>employees |
|---|---|---|
| Nil to HK$1,000,000 | **2** | 1 |
| HK$1,000,001 to HK$1,500,000 | **1** | 1 |
| HK$1,500,001 to HK$2,000,000 | **–** | 1 |
| | **3** | 3 |

**(c)** During the year ended 31 December 2019, no emoluments were paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

## 12. TAXATION

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Income tax (credit)/expenses comprise: | | |
| **Current tax** | | |
| — Hong Kong Profits Tax | **–** | – |
| — PRC Enterprise Income Tax | **–** | – |
| | **–** | – |
| Over-provision in prior years: | | |
| — Hong Kong | **–** | (1,258) |
| | **–** | (1,258) |
| **Deferred tax — current year** | **(919)** | 3,802 |
| | **(919)** | 2,544 |

Hong Kong Profits Tax is calculated at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year ended 31 December 2019.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Income tax (credit)/expenses for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Loss before tax | **(542,359)** | (742,164) |
| Notional tax on loss before tax, calculate at the tax rates applicable to profits in the jurisdictions concern | **(89,416)** | (122,457) |
| Tax effect of share of results of associates | **49,345** | 1,661 |
| Tax effect of expenses not deductible for tax purpose | **44,646** | 74,288 |
| Tax effect of income not taxable for tax purpose | **(47,222)** | (19,133) |
| Tax effect of temporary differences not recognised | **86** | 55 |
| Tax effect of tax losses not recognised | **42,561** | 65,586 |
| Over-provision for prior year | **–** | (1,258) |
| Deferred tax on promissory note (Note 27) | **(919)** | 3,802 |
| | **(919)** | 2,544 |

Details of deferred taxation are set out in Note 27.

## 13. LOSS PER SHARE

On 28 March 2019, the consolidation of every 10 issued shares into 1 consolidated share and the rights issue on the basis of 4 rights shares for every 1 consolidated share held by the shareholders of the Company, at a subscription price of HK$0.56 per rights share were approved.

The consolidation of shares was effective already on 29 March 2019, but the proposed rights issues was lapsed on 31 August 2019.

The effect of consolidated shares and bonus element resulting from the rights issue has been included in the calculation of basic and diluted loss per share for the year ended 31 December 2018 in the consolidated financial statements for that year.

However, as the proposed rights issue was then lapsed eventually, the effect of bonus element of the rights issue shall not be included in the calculation of basic and diluted loss per share for the year ended 31 December 2018, the prior period basic and diluted loss per share are thus adjusted as if proposed right issue not taking place.

The calculation of the basic and diluted loss per share attributable to the owners of the Company for the years ended 31 December 2019 and 2018 is based on the following data:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Loss for the year attributable to owners of the Company for the purpose of basic loss per share | **541,440** | 744,708 |

| | **2019 Number of shares '000** | 2018 Number of shares '000 (Restated) |
|---|---|---|
| Number of ordinary shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | **140,192** | 140,192 |
| Basic loss per share (HK dollars) | **3.86** | 5.31 |
| Diluted loss per share (HK dollars) | **3.86** | 5.31 |

Diluted loss per share for the years ended 31 December 2019 and 2018 were the same as basic loss per share as the Company did not have dilutive potential ordinary shares for the years ended 31 December 2019 and 2018.

## 14. PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

| | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Properties leased for own use HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 January 2018 | 6,853 | 7,514 | 12,544 | – | 26,911 |
| Additions | – | 188 | – | – | 188 |
| Disposals | – | – | (655) | – | (655) |
| At 31 December 2018 | 6,853 | 7,702 | 11,889 | – | 26,444 |
| Impact on initial application of HKFRS 16 | – | – | – | 25,580 | 25,580 |
| At 1 January 2019 | 6,853 | 7,702 | 11,889 | 25,580 | 52,024 |
| Additions | – | 117 | – | 385 | 502 |
| At 31 December 2019 | 6,853 | 7,819 | 11,889 | 25,965 | 52,526 |
| **DEPRECIATION AND IMPAIRMENT** | | | | | |
| At 1 January 2018 | 6,747 | 5,689 | 9,984 | – | 22,420 |
| Provided for the year | 65 | 790 | 532 | – | 1,387 |
| Eliminated on disposals | – | – | (655) | – | (655) |
| At 31 December 2018 and 1 January 2019 | 6,812 | 6,479 | 9,861 | – | 23,152 |
| Provided for the year | 41 | 598 | 392 | 10,438 | 11,469 |
| Impairment | – | – | – | 15,527 | 15,527 |
| At 31 December 2019 | 6,853 | 7,077 | 10,253 | 25,965 | 50,148 |
| **CARRYING VALUES** | | | | | |
| **At 31 December 2019** | – | 742 | 1,636 | – | 2,378 |
| At 31 December 2018 | 41 | 1,223 | 2,028 | – | 3,292 |

*Note*: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted balances at 1 January 2019 to recognise right-of-use assets (classified as properties leased for own use) relating to leases which were previously classified as operating leases under HKAS 17.

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

| | Note | 31 December 2019 HK$'000 | 1 January 2019 HK$'000 |
|---|---|---|---|
| Properties leased for own use, carried at depreciation cost | (i) | – | 25,580 |

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Depreciation charge of right-of-use assets by class of underlying asset: | | |
| Properties leased for own use | 10,438 | – |
| Interest on lease liabilities (note 9) | 1,632 | – |
| Total minimum lease payments for leases previously classified as operating leases under HKAS 17 | – | 10,827 |

*Note*: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

During the year, additions to right-of-use assets were of approximately HK$385,000 primarily related to the capitalised lease payments payable under new tenancy agreements.

The Group performed an impairment assessment on right-of-use assets in accordance with HKAS 36, *Impairment of Assets*. Based on the assessment, an impairment loss of approximately HK$15,527,000 (2018: Nil) was recognised and charged to the consolidated statement of profit or loss for the year ended 31 December 2019.

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Right-of-use assets (Continued)

Details of total cash outflow for leases are as follows:

**Total cash outflow for leases**

Amounts included in the consolidated statement of cash flows for leases comprise the following:

| | **2019**<br>**HK$'000** | 2018<br>(Note)<br>HK$'000 |
|---|---|---|
| Within operating cash flows | **–** | 10,827 |
| Within investing cash flows | **–** | – |
| Within financing cash flows | **11,741** | – |
| | **11,741** | 10,827 |

*Note*: As explained in the note to consolidated statement of cash flows, the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative information has not been restated.

These amounts relate to the following:

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Lease rentals paid | **11,741** | 10,827 |

## 15. INTERESTS IN ASSOCIATES

### (a) Details of the Group's interests in associates are as follows:

| | As at 31 December 2019 HK$'000 | As at 31 December 2018 HK$'000 |
|---|---|---|
| Cost of investments in associates: | | |
| — Unlisted | **506,216** | 506,216 |
| Amounts due from associates (Note 15(c)(i)) | **36,081** | 36,081 |
| | **542,297** | 542,297 |
| Share of results of associates: | | |
| — Post-acquisition profits and other comprehensive income, net of dividends received | **122,309** | 140,574 |
| Bargain purchase | **13,910** | 13,910 |
| | **136,219** | 154,484 |
| Provision for impairment | **(316,172)** | (306,893) |
| | **362,344** | 389,888 |

* *For identification purpose only*

## 15. INTERESTS IN ASSOCIATES (Continued)

### (b) Details of each of the Group's associates at 31 December 2019 and 2018 are as follows:

| Name of associates | Place of incorporation/ establishment | Issued and fully paid ordinary/share capital/registered capital | Place of operation | Proportion of equity interest held by the Group 2019 Directly % | 2019 Indirectly % | 2018 Directly % | 2018 Indirectly % | Principal activities |
|---|---|---|---|---|---|---|---|---|
| China Sky Holdings Limited ("China Sky") (Note i) | The British Virgin Islands ("BVI") | US$100,000 | Hong Kong | **40** | **–** | 40 | – | Investment holding |
| Kim Dynasty Realty & Development Co. Ltd. ("Jintang") (Note i) | The PRC | US$3,500,000 | The PRC | **–** | **40** | – | 40 | Development, construction and building management |
| Success Quest Limited ("Success Quest") (Note ii) | BVI | US$100 | Hong Kong | **50** | **–** | 50 | – | Dormant |
| Multi-Fame Group Limited ("Multi-Fame") (Note iii) | BVI | US$1,000 | Hong Kong | **49** | **–** | 49 | – | Investment holding |
| Multi-Fame (Hong Kong) Limited | Hong Kong | HK$10,000 | Hong Kong | **–** | **49** | – | 49 | Trading of electronic products and mainly distributes bluetooth earphones, speakers and computer products |
| Baiyu (Beijing) Technology Company Ltd ("Baiyu BJ")* (佰譽(北京)科技有限公司) | The PRC | Registered capital of US$8,600,000 | The PRC | **–** | **49** | – | 49 | Trading of computers and its peripherals as distributor |
| Beijing Baiyu Logistics Company Limited* (北京佰譽物流有限公司) | The PRC | Registered capital of RMB5,000,000 | The PRC | **–** | **49** | – | 49 | Provision of logistics service |
| Shenzhen Yisiyuan Technology Development Company Limited* (深圳市伊思源科技發展有限公司) | The PRC | Registered capital of RMB1,000,000 | The PRC | **–** | **49** | – | 49 | Inactive |
| Beijing Guodian Tongyuan Technology Company Limited* (北京國電通源科技有限公司) | The PRC | Registered capital of RMB10,000,000 | The PRC | **–** | **49** | – | 49 | Trading of computers and its peripherals |
| Khorgos Baiyu Supply Chain Management Company Limited* (霍爾果斯佰譽供應鏈管理有限公司) | The PRC | Registered capital of RMB5,000,000 | The PRC | **–** | **49** | – | 49 | Provision of consulting services |
| Shanghai Dongdi Supply Chain Management Company Limited* (上海東迪供應鏈管理有限公司) | The PRC | Registered capital of RMB30,000,000 | The PRC | **–** | **49** | – | 49 | Trading of goods including baby care products |

* For identification purposes only

## 15. INTERESTS IN ASSOCIATES (Continued)

### (b) Details of each of the Group's associates at 31 December 2019 and 2018 are as follows: (Continued)

*Notes:*

**(i) China Sky and its subsidiary ("China Sky Group")**

The Group acquired 40% of the total issued share capital of China Sky at the consideration of HK$370,000,000 in 2015. China Sky Group is principally engaged in the business of development and construction of two property development projects in Chongqing, the PRC.

1. *The Tanzishi Project*

As disclosed in the Company's annual report for the year ended 31 December 2018 and the interim report for the six months ended 30 June 2019, there were legal disputes and court proceedings between 重慶金唐房地產開發有限公司 ("金唐公司"), a subsidiary of China Sky, and an independent third party ("Party B") which include, inter alia, the right of development of the parcels of the Land by the parties and the satisfactorily financial contributions of the Tanzishi Project. Based on the decision made by the Supreme People's Court of the PRC in 2019, it was ruled that the cooperation agreement entered into between 金唐公司 and Party B was terminated (the "Final Court Decision").

Since full impairment was made by the Group on China Sky Group's investment over the Tanzishi Project, the Final Court Decision will have no further impact or implication on the financial results of the Group for the year ended 31 December 2019.

2. *The Jintang Project*

This property development project comprises a residential and commercial complex known as "Jintang New City Plaza" 金唐新城市廣場 (the "Jintang Project"), which is situated at Long Tower Street in the west southern part of the Yubei Zone, Chongqing City (重慶市渝北區龍塔街道) in the PRC. As disclosed in the Company's annual report for the year ended 31 December 2018 and the interim report for the six months ended 30 June 2019, the construction of the Jintang Project has been completed.

## 15. INTERESTS IN ASSOCIATES (Continued)

### (b) Details of each of the Group's associates at 31 December 2019 and 2018 are as follows: (Continued)

*Notes: (Continued)*

**(i) China Sky and its subsidiary ("China Sky Group")** (Continued)

Reference is made to the section on Property Development in Management Discussion and Analysis and note 15 re Interests in Associates in the annual report of the Company for the year ended 31 December 2018. Taking into consideration the legal disputes on the Tanzishi Project, the Group considered it prudent to make an impairment on the value of the Group's investment in China Sky Group. Accordingly, full provision of China Sky Group's total contributions to the Tanzishi Project and any associated costs in relation thereto of was made by the Group. With reference to a valuation report prepared by an independent qualified valuer, an impairment provision of approximately HK$306,893,000 was made by the Group over its investment and interest in China Sky Group for the year ended 31 December 2018 (the "2018 Provision"). The balance of value of the Group's investment and interest in China Sky Group as at 31 December 2018 amounted to approximately HK$209,919,000 (the "2018 Carrying Value").

As mentioned previously, the Final Court Decision issued in 2019 ruled that the cooperation agreement entered into between 金唐公司 and Party B was terminated. Accordingly, full provision of China Sky's investment and interest in the Tanzishi Project, which amounted to approximately HK$718,221,000 (the "Full Provision"), was thus made in the consolidated financial statements of China Sky Group for the year ended 31 December 2019,

Including the Full Provision, China Sky Group incurred a loss of approximately HK$781,529,000 for the year ended 31 December 2019. Excluding the Full Provision, China Sky Group would have incurred a loss of approximately HK$63,308,000 for the year ended 31 December 2019. 40% thereof, which amounted to approximately HK$25,323,000, would be beared by the Group as share of loss of China Sky Group for the year ended 31 December 2019 (the "2019 Share of Loss").

Taking into account the 2018 Carrying Value of approximately HK$209,919,000 and the 2019 Share of Loss of approximately HK$25,323,000, the net balance of the Group's investment and interest over China Sky Group would amount to approximately HK$184,596,000 (the "2019 Net Balance").

Based on a valuation report prepared by an independent qualified valuer, the 40% fair value of China Sky Group as at 31 December 2019 amounted to approximately HK$175,317,000 (the "2019 Valued Amount"). Comparing this amount with the 2019 Net Balance of approximately HK$184,596,000, a further impairment provision of approximately HK$9,279,000 (the "2019 Further Provision") is required over the Group's investment and interest in China Sky Group for the year ended 31 December 2019.

In summary, the financial impact of the Group's investment and interest in China Sky Group would be (a) the 2019 Share of Loss of approximately HK$25,323,000 and (b) the 2019 Further Provision of approximately HK$9,279,000 for the year ended 31 December 2019.

## 15. INTERESTS IN ASSOCIATES (Continued)

### (b) Details of each of the Group's associates at 31 December 2019 and 2018 are as follows: (Continued)

*Notes: (Continued)*

**(ii) Success Quest**

The carrying amount of Success Quest is nil as at 31 December 2019 (2018: Nil).

The principal business activity of Success Quest was investment in Anton Capital Investment Vehicle ("Anton Capital") and Anton Capital held 25% units on issue in George Street Property Trust which held 100% interest in properties located at Sydney, Australia. The acquisition was then a passive investment in an Australian property fund by the Group.

Given the Group does not control the majority composition of the board of Success Quest, the Group has no control over Success Quest. However, the directors of the Company consider that the Group does have significant influence over Success Quest and Success Quest is therefore classified as an associate of the Group. According to the terms stipulated in the trust deed of Anton Capital, Success Quest does not have control over the financial and operating policies of Anton Capital.

During the year 2016, the Australia properties were disposed and the Group's share of the proceeds from the disposal of the Australia properties was in turn distributed to the Group in year 2016 and 2017, of which approximately HK$37,695,000 represents the full repayment of the outstanding balance of loan to Success Quest and approximately HK$12,995,000 as a special dividend from Success Quest to the Group.

After the disposal of the Australia Properties and dividend distribution as stated in above, there is no business operation during the year.

In December 2018, Anton Capital Investment Vehicle has fully redeemed all of its units held by Success Quest, and there is no business operation of Success Quest during the year.

**(iii) Multi-Fame and its subsidiaries ("Multi-Fame Group")**

On 1 September 2017, the Group entered into a sale and purchase agreement to acquire 49% of the entire issued shares of Multi-Fame by issuing the Promissory Note of principal amount of HK$196,000,000 (note 25(ii)) to the vendor, Mega Ample Capital Limited, a company incorporated in the British Virgin Islands. On 16 November 2018, the acquisition was completed and the Promissory Note was issued on the same date.

The details of the acquisition have been disclosed in the Company's circular dated 25 June 2018.

Baiyu (Beijing) Technology Company Limited ("Baiyu (Beijing)"), the operating subsidiary of Multi-Fame Group, is principally engaged in trading of computers and its peripherals, and is an authorised distributor of computer products and peripherals for Lenovo and a retailer of baby care products with a majority of its revenue generated on JD.com.

The fair value of net assets of Multi-Fame Group acquired at the date of acquisition is calculated as follows:

| | HK$'000 |
|---|---|
| Net assets of Multi-Fame Group as at acquisition date | 91,992 |
| Proportion of the Group's ownership interests in Multi-Fame Group of 49% | 45,076 |
| Goodwill | 127,221 |
| Consideration | 172,297 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15. INTERESTS IN ASSOCIATES (Continued)

### (c) Summarised financial information of associates

Summarised consolidated financial information in respect of each of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

These associates are accounted for using the equity method in these consolidated financial statements.

#### (i) China Sky Group

| | As at 31 December 2019 HK$'000 | As at 31 December 2018 HK$'000 |
|---|---|---|
| Current assets | **968,047** | 1,230,919 |
| Non-current assets | **2,382** | 457,430 |
| Current liabilities | **(501,138)** | (418,808) |
| Non-current liabilities | **(888,301)** | (907,022) |
| Net (liabilities)/assets | **(419,010)** | 362,519 |

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Revenue | **25,604** | 79,768 |
| Loss for the year | **(773,551)** | (43,003) |
| Other comprehensive expense for the year | **(7,978)** | (23,202) |
| Total comprehensive expense for the year | **(781,529)** | (66,205) |
| Proportion of the Group's ownership interests in China Sky Group | **40%** | 40% |
| Share of total comprehensive expense of China Sky Group | **(312,611)** | (26,482) |
| Excluding 40% of Full Provision recognised in previous year as disclosed in note 15(b)(i) above | **287,288** | – |
| | **(25,323)** | (26,482) |
| Dividends received from China Sky Group during the year | **–** | – |
| Impairment loss on China Sky Group during the year | **9,279** | 306,893 |

## 15. INTERESTS IN ASSOCIATES (Continued)

### (c) Summarised financial information of associates (Continued)

#### (i) China Sky Group (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in China Sky Group recognised in the consolidated financial statements:

| | **As at 31 December 2019 HK$'000** | As at 31 December 2018 HK$'000 |
|---|---|---|
| Net (liabilities)/assets of China Sky Group | **(419,010)** | 362,519 |
| Proportion of the Group's ownership interest in China Sky Group | **40%** | 40% |
| | **(167,604)** | 145,007 |
| Effect of fair value adjustments at acquisition | **335,724** | 335,724 |
| Amounts due from China Sky Group *(Note)* | **36,081** | 36,081 |
| Effect of 40% of Full Provision recognised in previous year | **287,288** | – |
| Carrying amount of the Group's interest in China Sky Group | **491,489** | 516,812 |
| Accumulated impairment loss on interest in China Sky Group | **(316,172)** | (306,893) |
| | **175,317** | 209,919 |

*Note:*

Amounts due from China Sky Group of approximately HK$36,081,000 as at 31 December 2019 and 2018 were unsecured, non-interest bearing and repayable upon demand. The Group has no intention to exercise its right to demand repayment of these loans within the twelve months from the end of the reporting period. The directors believe the settlement of these loans is not likely to occur in the foreseeable future as they are, in substance, a part of the Group's net investment in associates as working capital of China Sky Group. Accordingly, the amount is classified as non-current asset and included in the Group's interests in associates for the purpose of presentation in the consolidated statement of financial position.

#### (ii) Success Quest

As the Group's interest in Success Quest as at 31 December 2019 and 2018 was not material to the Group, no summarised financial information of Success Quest is presented.

## 15. INTERESTS IN ASSOCIATES (Continued)

### (c) Summarised financial information of associates (Continued)

#### (iii) Multi-Fame Group

| | **As at 31 December 2019 HK$'000** | As at 31 December 2018 HK$'000 |
|---|---|---|
| Current assets | **259,249** | 396,433 |
| Non-current assets | **2,863** | 407 |
| Current liabilities | **(138,189)** | (289,191) |
| Non-current liabilities | **(1,869)** | – |
| Net assets | **122,054** | 107,649 |

| | **1 January 2019 to 31 December 2019 HK$'000** | 16 November 2018 (date of acquisition) to 31 December 2018 HK$'000 |
|---|---|---|
| Revenue | **945,049** | 295,660 |
| Profit for the year/period | **21,146** | 14,564 |
| Other comprehensive (expense)/income for the year/period | **(6,741)** | 1,093 |
| Total comprehensive income for the year/period | **14,405** | 15,657 |
| Proportion of the Group's ownership interests in Multi-Fame Group | **49%** | 49% |
| Share of total comprehensive income of Multi-Fame Group | **7,058** | 7,672 |
| Dividends received from Multi-Fame Group during the year/period | **–** | – |

## 15. INTERESTS IN ASSOCIATES (Continued)

### (c) Summarised financial information of associates (Continued)

#### (iii) Multi-Fame Group (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in Multi-Fame Group recognised in the consolidated financial statements:

| | **As at 31 December 2019 HK$'000** | As at 31 December 2018 HK$'000 |
|---|---|---|
| Net assets of Multi-Fame Group | **122,054** | 107,649 |
| Proportion of the Group's ownership interest in Multi-Fame Group | **49%** | 49% |
| | **59,806** | 52,748 |
| Goodwill | **127,221** | 127,221 |
| Carrying amount of the Group's interest in Multi-Fame Group | **187,027** | 179,969 |

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | Note | **As at 31 December 2019 HK$'000** | As at 31 December 2018 HK$'000 |
|---|---|---|---|
| Equity securities | | | |
| — Listed securities | (i) | **–** | – |
| — Unlisted securities | (ii) | **–** | – |
| | | **–** | – |

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

### (i) Listed securities

The listed securities recognised as financial assets at FVTOCI represent the Group's listed investment in Aurelia Metals Limited. During the year ended 31 December 2018, the Group disposed of all its listed investment in Aurelia Metals Limited on-market at a total consideration of approximately AUD6,813,000 (equivalent to approximately HK$41,275,000). A gain on disposal of financial assets at FVTOCI amounting to approximately AUD3,595,000 (equivalent to approximately HK$21,563,000) was recognised in the other comprehensive income during the year ended 31 December 2018. A cumulative losses of approximately HK$20,293,000 was transferred from FVTOCI reserve to accumulated losses upon disposal.

### (ii) Unlisted securities

(a) According to the latest information available, Joint Global Limited was annulled in the Republic of the Marshall Islands. The management of the Company considered that the fair value of this investment is Nil (2018: Nil).

(b) In respect of the investment in Singularity Advisory (Cayman) Limited ("Singularity"), the Group received distribution of approximately US$3,613,000 (equivalent to approximately HK$28,208,000) from Singularity in February 2018, of which US$3,000,000 (equivalent to approximately HK$23,418,000) was considered as the recovery of cost of investment. The remaining part of the distribution of approximately US$613,000 (equivalent to approximately HK$4,790,000) represented the return on investment and was recognised as dividend in the profit or loss during the year ended 31 December 2018.

On 10 April 2018, the Group disposed of all the investment in Singularity to an independent third party for cash consideration of US$2 (equivalent to HK$16) and resulted in a loss on disposal of financial assets at FVTOCI amounting to approximately HK$71,000 recognised in other comprehensive income. A cumulative loss of approximately HK$2,380,000 was transferred from FVTOCI reserve to accumulated losses upon the disposal.

## 17. OTHER ASSETS

The amount represents the statutory deposits paid to the Stock Exchange and Securities and Futures Commission in relation to the Group's licensed activities in the Hong Kong securities market.

## 18. TRADING RIGHT

| | HK$'000 |
|---|---|
| **COST** | |
| Balance at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019 | 778 |
| **AMORTISATION AND IMPAIRMENT** | |
| Balance at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019 | 778 |
| **CARRYING VALUES** | |
| At 31 December 2019 | – |
| At 31 December 2018 | – |

Trading right is amortised on a straight-line basis over the useful life of four years and the amount was fully amortised in prior years.

## 19. ACCOUNTS AND OTHER RECEIVABLES

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Accounts receivables** | | | |
| Margin account clients | (a) | **50,327** | 58,053 |
| Cash account clients | (b) | **1,933** | 2,134 |
| Others | | **297** | 297 |
| | | **52,557** | 60,484 |
| Less: Impairment losses | | **(27,496)** | (6,961) |
| | | **25,061** | 53,523 |
| Other receivables and prepayments | | **21,746** | 30,040 |
| Less: Impairment losses | | **(7,318)** | (1,459) |
| | | **14,428** | 28,581 |
| | | **39,489** | 82,104 |

*Notes:*

(a) Margin clients of the brokerage division are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the value of securities accepted by the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates. As at 31 December 2019, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$28,891,000 (2018: approximately HK$222,280,000). The management monitors the market value of collateral during the reviews of the adequacy of the impairment allowance. The fair value of collateral can be objectively ascertained to cover the outstanding amount of the loan balances based on quoted prices of collateral.

(b) There are no credit terms granted to cash clients of the brokerage division. They are required to settle their securities trading balances on the settlement date determined under the relevant market practices or exchange rules.

## 19. ACCOUNTS AND OTHER RECEIVABLES (Continued)

The ageing analysis of accounts receivables based on trade date is as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| 0 to 60 days | **797** | 2,305 |
| 61 to 90 days | **2,606** | 7,049 |
| Over 90 days | **49,154** | 51,130 |
| | **52,557** | 60,484 |

The movements in the allowance for impairment losses for the Group were as follows:

| | Margin account clients<br>HK$'000 | Cash account clients<br>HK$'000 | Others<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| At 1 January 2018 | 1,185 | 10 | 297 | 1,492 |
| Effect arising from initial application of HKFRS 9 | 1,748 | 73 | – | 1,821 |
| Impairment losses recognised/(reversed) | 3,653 | (5) | – | 3,648 |
| At 31 December 2018 and 1 January 2019 | **6,586** | **78** | **297** | **6,961** |
| Impairment losses recognised/(reversed) | **20,602** | **(67)** | **–** | **20,535** |
| **At 31 December 2019** | **27,188** | **11** | **297** | **27,496** |

## 20. LOANS RECEIVABLE

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Secured loans | **103,159** | 138,022 |
| Unsecured loans | **238,818** | 273,034 |
| | **341,977** | 411,056 |
| Less: Impairment allowance | **(186,025)** | (17,152) |
| | **155,952** | 393,904 |
| Analysed for reporting purposes as: | | |
| Non-current assets | **15,254** | 13,500 |
| Current assets | **140,698** | 380,404 |
| | **155,952** | 393,904 |

Loans receivable arise from the Group's money lending business. As at 31 December 2019, the Group has 15 (2018: 15) separate loans receivable clients, of which 3 (2018: 3) were secured and 12 (2018: 12) were unsecured. Loans receivable are bearing interests at the rates mutually agreed with the contracting parties, ranging from 13% to 14% (2018: 13% to 14%) per annum.

As at 31 December 2019, the secured loans and interest receivables arising from loan financing business were respectively secured by the followings:

— a first mortgage given by a mortgagor over two residential properties in Shenzhen, the PRC;

— a first charge over securities accounts in the name of the customer according to the charge agreement dated 3 March 2017 (such securities accounts were maintained with a subsidiary of the Company, which is a brokerage firm); and

— a share charge of all the issued capital of the borrower and a charge of a yacht wholly-owned by the borrower.

Included in the unsecured loans receivable, loans of approximately HK$130,118,000 (2018: approximately HK$144,586,000) are guaranteed by guarantors.

Under the Group's expected credit losses ("ECL") assessment, loss allowance on loans receivable of approximately HK$186,025,000 was provided as at 31 December 2019 (2018: approximately HK$17,152,000).

## 20. LOANS RECEIVABLE (Continued)

Before accepting any new customer, the Group uses an internal credit assessment process to assess the potential customer's credit quality and determines credit limits. The granting of loans is subject to approval by the management, whilst outstanding balances are reviewed regularly for recoverability.

The loans receivable have been reviewed by the management of the Company to assess impairment which are based on the evaluation of collectability, ageing analysis of accounts and on their judgement, including the current creditworthiness and the past collection statistics. Management of the Company also performs ongoing reviews of all customers for any breach of repayment terms or any incident indicating a risk of non-recoverability.

A maturity profile of the loans receivable as at the end of the reporting period, based on the remaining period to contractual maturity date is as follows:

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| 0–90 days after the end of the reporting period | **41,000** | 164,523 |
| 91–180 days after the end of the reporting period | **–** | 64,586 |
| 181–365 days after the end of the reporting period | **–** | 168,447 |
| 1 year after the end of the reporting period | **15,254** | 13,500 |
| | **56,254** | 411,056 |
| Past due | **285,723** | – |
| | **341,977** | 411,056 |

Details of movements in provision for impairment losses of loans receivable were as follows:

| | **12-month ECL**<br>HK$'000 | **Lifetime ECL (credit-impaired)**<br>HK$'000 | **Total**<br>HK$'000 |
|---|---|---|---|
| At 1 January 2018 | – | – | – |
| Effect arising from initial application of HKFRS 9 | 10,741 | – | 10,741 |
| Impairment losses recognised | 6,411 | – | 6,411 |
| As 31 December 2018 and 1 January 2019 | 17,152 | – | 17,152 |
| Transfer to credit-impaired | (14,571) | 14,571 | – |
| Repayment and derecognition | (2,581) | – | (2,581) |
| Remeasurement of ECL | 3,889 | 167,565 | 171,454 |
| **At 31 December 2019** | 3,889 | 182,136 | 186,025 |

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Financial assets at FVTPL | | |
| — Listed equity securities in Stock Exchange | **337,849** | 467,244 |

## 22. BANK BALANCES HELD UNDER SEGREGATED TRUST ACCOUNTS AND BANK BALANCES AND CASH

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Bank balances held under segregated trust accounts *(Note)* | **38,515** | 23,695 |
| Cash and cash equivalents | | |
| — Bank balances and cash | **21,096** | 22,894 |
| | **59,611** | 46,589 |

Bank balances as at 31 December 2019 carry interest at floating rates based on daily bank deposit rate ranging from 0.001% to 0.02% (2018: 0.001% to 0.02%) per annum.

*Note:* As the Group is engaged in the business of securities dealing and brokerage, it receives and holds money deposits by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts which was recorded as "bank balances held under segregated trust accounts" under current assets in the consolidated statement of financial position. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

## 23. TRADE AND OTHER PAYABLES

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Trade payables | **38,505** | 23,407 |
| Other payables and accruals | **87,565** | 37,343 |
| Securities accounts | **45,614** | 22,355 |
| Trade and other payables | **171,684** | 83,105 |

*Trade payables analysed as:*

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Trade payables arising from securities brokerage business: | | |
| — Cash account clients | **33,435** | 12,837 |
| — Margin account clients | **5,070** | 10,570 |
| | **38,505** | 23,407 |

An ageing analysis of the trade payables, presented based on the transaction date, at the end of the reporting period are as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| 0 to 60 days | **3,830** | 1,941 |
| 61 to 90 days | **21,318** | 1,294 |
| Over 90 days | **13,357** | 20,172 |
| | **38,505** | 23,407 |

The settlement term of trade payables arising from securities brokerage business is two days after the trade date while for amounts due to cash and margin account clients are repayable on demand.

Included in trade payables arising from securities brokerage business of approximately HK$38,505,000 (2018: approximately HK$23,407,000) was payable to clients and other institutions in respect of the trust bank balances received and held for clients and other institutions in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed. The deposits placed carry variable commercial interest rates.

## 24. LOANS PAYABLE

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Within 1 year or on demand (Note (i), (ii), (iii)) | **678,266** | 682,195 |

At the 31 December 2019 and 2018, the Group had loans payables as follows:

(i) Loan from a financial institution with principal amount of US$49,500,000 (equivalent to approximately HK$386,816,000) together with the accrued interest of approximately US$4,605,000 (equivalent to approximately HK$36,009,000) (2018: approximately US$1,933,000 (equivalent to approximately HK$15,081,000)), which is interest-bearing at 14.75% (2018: 17.13%) per annum, guaranteed, secured by equity interest in subsidiaries of the Company and associates of the Group, charge over listed equities securities held by the Group, together with equity pledges, receivables pledge and assignment of shareholder loans and receivables provided by independent third parties, and became overdue since 18 March 2019.

(ii) Loan from an individual who is an independent third party, with a principal amount of HK$18,000,000 (2018: HK$18,000,000) together with the accrued interest of approximately HK$4,971,000 (2018: approximately HK$2,811,000), which is interest-bearing at 12% per annum, unsecured and became overdue since 13 September 2018.

(iii) Loan from a financial institution with principal amount of US$35,000,000 (equivalent to approximately HK$273,450,000) together with the accrued interest of approximately US$1,022,000 (equivalent to approximately HK$8,033,000) (2018: approximately US$216,000 (equivalent to approximately HK$1,686,000)), which is interest-bearing at 11.8% per annum, guaranteed, secured by equity interest in subsidiaries of the Group and associates of the Group, charge over listed equities securities held by the Group together with equity pledges, receivables pledge and assignment of shareholder loans and receivables provided by independent third parties. According to the loan agreement, US$5,000,000 (equivalent to HK$39,064,000) and US$30,000,000 (equivalent to approximately HK$234,386,000) are repayable in November 2019 and November 2021 respectively. US$5,000,000, equivalent to approximately HK$39,064,000, which has been overdue since November 2019. The non-repayment of loan principal of such amount in accordance with the scheduled repayment terms had caused the relevant remaining non-overdue balance to become immediately repayable pursuant to the respective loan agreement.

    Pursuant to the loan agreement, there is an overriding repayment on demand clause that gives the lender an unconditional right at any time to require immediate payment, the balance is classified as a "current liability" at the end of reporting period. On 17 March 2020, the Company has received a letter from the solicitors of the lender of the loan which demanded the immediate repayment of the loan together with interest accrued (Details of which are set out in the announcement of the Company dated 24 March 2020).

The Group is in the process of negotiating with lenders for extension of the abovementioned loans. The total loan interest payable of approximately HK$49,013,000 as at 31 December 2019 (2018: approximately HK$19,578,000) was included in other payables and accruals.

## 25. NOTES PAYABLE

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Within 1 year (Note (i)) | **312,596** | 312,596 |
| After 1 year but within 5 years (Note (ii)) | **196,182** | 172,959 |
| | **508,778** | 485,555 |

As at 31 December 2019 and 2018, the Group had notes payable as follows:

(i) On 21 September 2017, the Company entered into a notes subscription agreement with an independent third party (the "Subscriber") pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for, 8% per annum notes in the principal amount of up to US$40,000,000 (equivalent to approximately HK$312,596,000), which is guaranteed, secured by the security interest provided by a substantial shareholder of the Company, and repayable in September 2019.

The first interest payment date shall be the date falling six months from the date of the issuance of the notes and the subsequent interest payment dates shall be the dates falling every six months thereafter up to the maturity date.

In September 2017, the 8% per annum notes with principal of US$40,000,000 were fully subscribed by the Subscriber.

The note payable has been overdue since September 2019. The interest rate increased from 8% to 25% per annum due to the non-repayment of the principal amount. The Group is in the process of negotiating with the noteholder for extension of the notes.

(ii) On 16 November 2018, the Promissory Note in the principal amount of HK$196,000,000 was issued by the Company to Mega Ample Capital Limited (the "Vendor"), a company incorporated in the British Virgin Islands with limited liability, as consideration that the Group acquired 49% of the entire issued share capital of Multi-Fame Group Limited from the Vendor (note 15(b)(iii)). The Promissory Note may be redeemed by the Company at any time by giving the Vendor prior notice.

The details of the acquisition have been disclosed in the Company's circular dated 25 June 2018.

On 14 December 2018, the Promissory Note was transferred to an independent third party with the consent of the Group.

The fair value of the Promissory Note at issue date was approximately HK$172,297,000, based on the valuation performed by an independent professional valuer. The Promissory Note will be matured in 3 years from the issue date (the "Maturity Date") which is 16 November 2021. The coupon interest, with 8% interest rate per annum, will be paid on the Maturity Date. The effective interest rate of the Promissory Note is determined to be approximately 12.15% per annum. The Promissory Note is classified under non-current liabilities and measured at amortised cost.

## 25. NOTES PAYABLE (Continued)

(ii) (Continued)

The movement of carrying amount of the Promissory Note is as follows:

| | HK$'000 |
|---|---|
| Carrying amount upon issuance | 172,297 |
| Imputed interest expenses | 2,638 |
| Accrued interest expenses | (1,976) |
| Carrying amount at 31 December 2018 and 1 January 2019 | 172,959 |
| Imputed interest expenses | 21,247 |
| Reclassification | 1,976 |
| Carrying amount at 31 December 2019 | 196,182 |

## 26. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current reporting period and at the date of transition to HKFRS 16:

| | **31 December 2019** | | 1 January 2019 (Note) | |
|---|---|---|---|---|
| | **Present value of the minimum lease payments $'000** | **Total minimum lease payments $'000** | Present value of the minimum lease payments $'000 | Total minimum lease payments $'000 |
| Within 1 year | **9,126** | **10,007** | 10,043 | 11,468 |
| After 1 year but within 2 years | **6,730** | **6,955** | 8,936 | 9,710 |
| After 2 years but within 5 years | **–** | **–** | 6,601 | 6,755 |
| | **6,730** | **6,955** | 15,537 | 16,465 |
| | **15,856** | **16,962** | 25,580 | 27,933 |
| Less: total future interest expenses | | **(1,106)** | | (2,353) |
| Present value of lease liabilities | | **15,856** | | 25,580 |

*Note:* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2.

## 27. DEFERRED TAX LIABILITIES

The major deferred tax liabilities recognized and movements thereon during the current and prior years are summarised below:

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Promissory note | | |
| Balance at 1 January | **3,802** | – |
| (Credit)/charge to profit or loss | **(919)** | 3,802 |
| Balance at 31 December | **2,883** | 3,802 |

As at 31 December 2019, the Group has unused tax losses of approximately HK$2,756,780,000 (2018: approximately HK$2,498,832,000) available for offsetting against future profits. No deferred tax assets have been recognised as the Company and certain subsidiaries of the Company have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 28. SHARE CAPITAL

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Number of shares '000** | **HK$'000** | Number of shares '000 | HK$'000 |
| Issued and fully paid: | | | | |
| At 1 January | **1,401,917** | **2,824,801** | 1,401,917 | 2,824,801 |
| Share consolidation *(Note)* | **(1,261,725)** | **–** | – | – |
| At 31 December | **140,192** | **2,824,801** | 1,401,917 | 2,824,801 |

*Note:* The share consolidation of every ten ordinary shares in the issued share capital of the Company into one consolidated share was effective on 29 March 2019. Details of the share consolidation are set out in the circular of the Company dated 8 March 2019.

## 29. SHARE OPTION SCHEME

On 14 June 2016, the Company adopted a share option scheme (the "2016 Share Option Scheme"). The primary purpose of the 2016 Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the 2016 Share Option Scheme are as disclosed in the circular of the Company dated 12 May 2016.

Pursuant to the 2016 Share Option Scheme, the Company may grant share options to all directors and employees of the Company or its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, service providers, contractors, business partners or connected persons (as such term is defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of any member of the Group who, in the sole discretion of the board of the directors of the Company, have contributed or will contribute to the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Share options granted should be accepted within 14 days from the offer date. Share options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant. The maximum number of shares to be issued upon the exercise of options that may be granted under the 2016 Share Option Scheme and any other schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of the shareholders' approval of the refreshed limit, with adjustment to the share consolidation (note 28) implemented during the year ended 31 December 2019. The total number of shares issued and to be issued upon exercise of the share options granted to each participant or grantee (as the case may be) (including both exercised and unexercised options) under the 2016 Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed 1% of the shares in issue unless otherwise approved by shareholders of the Company in accordance with the terms of the 2016 Share Option Scheme. The subscription price for the shares shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share (if any) on the date of grant. The subscription price will be determined by the board of directors of the Company at the time the share option is offered to the relevant participant.

During the year ended 31 December 2019, no share option was granted and exercised under the 2016 Share Option Scheme. No share option was outstanding under the 2016 Share Option Scheme as at 31 December 2019.

At 31 December 2019, 14,019,167 shares are available for issue under the 2016 Share Option Scheme, which represents 10% of the issued shares of the Company as at the same date.

## 30. OPERATING LEASE ARRANGEMENTS

### As lessee

| | 2018 HK$'000 |
|---|---|
| Minimum lease payments paid under operating leases during the year | |
| — Land and buildings | 10,516 |
| — Other assets | 311 |
| | 10,827 |

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2018 HK$'000 |
|---|---|
| Within one year | 11,468 |
| In the second to fifth years, inclusive | 16,465 |
| Over five years | – |
| | 27,933 |

The Group is the lessee in respect of a number of properties and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3, and the details regarding the Group's future lease payments are disclosed in note 26.

## 31. COMMITMENTS

Save as disclosed in this report, the Group has no significant capital commitments as at 31 December 2019 (2018: Nil).

## 32. PLEDGE OF ASSETS

As at 31 December 2019, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately HK$316,087,000 (2018: approximately HK$406,517,000) were pledged to securities brokers and two financial institutions to secure certain margin financing and loans granted to the Group. The equity interest of associates with an aggregate carrying amount of approximately HK$362,344,000 (2018: approximately HK$389,888,000) was also pledged to secure loans from two financial institutions.

## 33. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs not exceeding HK$1,500 per month for each eligible employee to the scheme monthly.

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the years ended 31 December 2019 and 2018 are disclosed in Note 10.

## 34. CONTINGENT LIABILITIES

A subsidiary of the Company principally engaged in securities brokerage is subject to possible claims of HK$8,000,000 and a possible maximum penalty of HK$10,000,000 in respect of allegedly irregular transactions conducted by a former employee in prior years.

During the year ended 31 December 2016, the Group obtained legal opinion from law firms in Hong Kong and the PRC which considered that the causes of action of the individuals in the above matter are time-barred and the time limitation had lapsed by 31 December 2016.

In the opinion of the directors, it is not probable that the individuals will issue claims against the Group and the possible claims of HK$8,000,000 is regarded as contingent liabilities as at 31 December 2019 (2018: HK$8,000,000).

In addition, pursuant to a legal advice, such subsidiary may also be subject to a maximum penalty of HK$10,000,000 to the enforcement agency for the allegedly irregular transactions conducted by the former employee. In the opinion of the directors, since the investigation of the matters by the enforcement agency is still in progress, up to the end of the reporting period no penalty against the subsidiary has been received and further, the directors cannot reasonably estimate the outcome of the matters and thus, the Group did not provide any provision on such potential penalty as at 31 December 2019 (2018: Nil). The possible maximum penalty of HK$10,000,000 is therefore regarded as a contingent liability of the Group as at 31 December 2019 (2018: HK$10,000,000).

Save as disclosed in this report, at the end of each reporting period, the Group and the Company did not have any significant contingent liabilities.

## 35. SIGNIFICANT MATERIAL RELATED PARTY TRANSACTIONS

### Key management personnel remuneration

During the year ended 31 December 2019, the Group had remuneration paid to the directors and other members of key management of the Group as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Directors:** | | |
| Salaries and other benefits | **4,035** | 4,669 |
| Discretionary bonuses | **–** | 270 |
| Retirement benefits schemes contributions | **36** | 36 |
| | **4,071** | 4,975 |
| **Other members of key management:** | | |
| Salaries and other benefits | **715** | 715 |
| Discretionary bonuses | **–** | 55 |
| Retirement benefits schemes contributions | **18** | 18 |
| | **733** | 788 |
| | **4,804** | 5,763 |

Save as disclosed in this report, the Group did not have any other significant transactions and balances with related parties during the year and/or at the end of each reporting period.

These transactions were not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

## 36. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Notes | Short-term loans payable HK$'000 | Long-term loans payable HK$'000 | Lease liabilities HK$'000 | Notes payable HK$'000 | Interest payable including in trade and other payable HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2018** | | 18,000 | 586,119 | – | 312,596 | 9,728 | 926,443 |
| **Changes from financing cash flows** | | | | | | | |
| Proceeds from loans | | 463,450 | – | – | – | – | 463,450 |
| Repayment of loan | | (190,000) | (196,250) | – | – | – | (386,250) |
| Loan interest paid | | – | – | – | – | (101,111) | (101,111) |
| Bank charges paid | | – | – | – | – | (7,509) | (7,509) |
| Total changes from financing cash flows | | 273,450 | (196,250) | – | – | (108,620) | (31,420) |
| **Exchange adjustments** | | – | 876 | – | – | – | 876 |
| **Non-Cash item** | | | | | | | |
| Issuance of promissory note | 25(ii) | – | – | – | 172,297 | – | 172,297 |
| Imputed interest expense on promissory note | 9 | – | – | – | 662 | – | 662 |
| Total changes from non-cash items | | – | – | – | 172,959 | – | 172,959 |
| **Other changes** | | | | | | | |
| Interest expenses | | – | – | – | – | 120,010 | 120,010 |
| Bank charges | | – | – | – | – | 7,509 | 7,509 |
| Reclassification | 24(i) | 390,745 | (390,745) | – | – | – | – |
| Total other changes | | 390,745 | (390,745) | – | – | 127,519 | 127,519 |

## 36. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

| | Notes | Short-term loans payable HK$'000 | Long-term loans payable HK$'000 | Lease liabilities HK$'000 | Notes payable HK$'000 | Interest payable including in trade and other payable HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2018 and 1 January 2019** | | 682,195 | – | – | 485,555 | 28,627 | 1,196,377 |
| **Impact on initial application of HKFRS 16** | | – | – | 25,580 | – | – | 25,580 |
| Repayment of loan | | (3,929) | – | – | – | – | (3,929) |
| Loan interest paid | | – | – | – | – | (77,202) | (77,202) |
| Bank charges paid | | – | – | – | – | (1,572) | (1,572) |
| Repayment of lease liabilities | | – | – | (11,741) | – | – | (11,741) |
| Total changes from financing cash flows | | (3,929) | – | (11,741) | – | (78,774) | (94,444) |
| **Non-Cash items** | | | | | | | |
| Addition of lease liabilities | | – | – | 385 | – | – | 385 |
| Imputed interest expense on Promissory Note | 9 | – | – | – | 21,247 | – | 21,247 |
| Total changes from non-cash items | | – | – | 385 | 21,247 | – | 21,632 |
| **Other changes** | | | | | | | |
| Interest expenses | | – | – | 1,632 | – | 122,416 | 124,048 |
| Bank charges | | – | – | – | – | 1,572 | 1,572 |
| Reclassification | | – | – | – | 1,976 | (1,976) | – |
| Total other changes | | – | – | 1,632 | 1,976 | 122,012 | 125,620 |
| **At 31 December 2019** | | 678,266 | – | 15,856 | 508,778 | 71,865 | 1,274,765 |

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

### As at 31 December 2019

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Interests in subsidiaries | (a) | **–** | – |
| Loan and interest receivable from a subsidiary | (b) | **–** | – |
| | | **–** | – |
| **Current assets** | | | |
| Other receivables | | **62** | 62 |
| Loan and interest receivable from a subsidiary | (b) | **–** | 417,838 |
| Amounts due from subsidiaries | (c) | **387,076** | 703,873 |
| Bank balances and cash | | **7,918** | 6,476 |
| | | **395,056** | 1,128,249 |
| **Current liabilities** | | | |
| Accruals and other payables | | **67,409** | 28,813 |
| Amounts due to subsidiaries | (c) | **204,520** | 204,520 |
| Loans payable | | **386,815** | 390,745 |
| Notes payable | 25 | **312,596** | 312,596 |
| | | **971,340** | 936,674 |
| **Net current (liabilities)/assets** | | **(576,284)** | 191,575 |
| **Total assets less current liabilities** | | **(576,284)** | 191,575 |
| **Non-current liabilities** | | | |
| Notes payable | 25 | **196,182** | 172,959 |
| Deferred tax liabilities | | **2,883** | 3,802 |
| | | **199,065** | 176,761 |
| **Net (liabilities)/assets** | | **(775,349)** | 14,814 |
| **Capital and reserves** | | | |
| Share capital | 28 | **2,824,801** | 2,824,801 |
| Reserves | (d) | **(3,600,150)** | (2,809,987) |
| **Total equity** | | **(775,349)** | 14,814 |

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors of the Company on 11 May 2020 and is signed on its behalf by:

**Li Dong**
*Director*

**Ng Shin Kwan, Christine**
*Director*

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

*Notes:*

(a) Particulars of the Company's principal subsidiaries at 31 December 2019 and 2018 are as follows:

| Name of subsidiary | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital/ registered capital | Proportion of nominal value of issued capital hedl by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | | Indirectly | | |
| | | | **2019** | 2018 | **2019** | 2018 | |
| Art Ring Limited | Hong Kong | HK$1 | **—** | — | **100%** | 100% | Investment holding |
| Charter Pearl Limited | British Virgin Islands ("BVI") | US$1 | **—** | — | **100%** | 100% | Investment holding |
| China Yunnan Tin Minerals Group Company Limited | Hong Kong | HK$1 | **—** | — | **100%** | 100% | Dormant |
| Genius Emperor Limited | Hong Kong | HK$1 | **—** | — | **100%** | 100% | Investment holding |
| Global Giant Development Limited | BVI | US$1 | **100%** | 100% | **—** | — | Investment holding |
| Global Wealth Finance Limited | Hong Kong | HK$1 | **—** | — | **100%** | 100% | Provision of finance |
| Growth Track Asset Management Limited | Hong Kong | HK$5,600,000 | **—** | — | **100%** | 100% | Asset management |
| GT Capital Limited | Hong Kong | HK$60,000,000 | **—** | — | **100%** | 100% | Securities brokerage |
| GT Financial Holdings Limited | BVI | US$1 | **—** | — | **100%** | 100% | Investment holding |
| Ka Nam Textiles Limited | Hong Kong | HK$1,000,000 | **—** | — | **100%** | 100% | Dormant |
| Long Chart Limited | Hong Kong | HK$1 | **—** | — | **100%** | 100% | General trading |
| Max Leap Asia Limited | BVI | US$1 | **—** | — | **100%** | 100% | Investment holding |
| Maxer Trading Limited | Hong Kong | HK$1 | **—** | — | **100%** | 100% | Provide general services for group company |
| New Premium Development Limited | BVI | US$1 | **—** | — | **100%** | 100% | Investment holding |
| Newton Group Investment Limited | Hong Kong | HK$2 | **—** | — | **100%** | 100% | Asset holding |
| Poly Minerals Holdings Limited | BVI | US$1 | **—** | — | **100%** | 100% | Investment holding |
| Prime Way Development Limited | Hong Kong | HK$10,000 | **—** | — | **100%** | 100% | Investment holding |
| Star Bravo Development Limited | BVI | US$1 | **—** | — | **100%** | 100% | Investment holding |
| Sunny Apex Limited | Hong Kong | HK$10,000 | **—** | — | **100%** | 100% | Asset holding |
| Upperclass Developments Limited | Hong Kong | HK$1 | **—** | — | **100%** | 100% | Securities investment |
| Wealth Good International Limited | Hong Kong | HK$1 | **—** | — | **100%** | 100% | Asset holding |
| World Town Limited | BVI | US$1 | **—** | — | **100%** | 100% | Investment holding |

The above table only lists those subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or financial positions of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

*Notes: (Continued)*

(b) The Company entered into a loan agreement with a subsidiary on 21 March 2016. Pursuant to the loan agreement, the Company agreed to provide a loan of US$50,000,000 (equivalent to approximately HK$390,745,000) to the subsidiary. The loan was interest-bearing at 12% per annum, unsecured and repayable on 20 March 2022. Impairment loss of HK$461,812,000 (2018: HK$104,459,000) was recognised on loan and interest receivable from a subsidiary during the year ended 31 December 2019.

(c) Amounts due from/(to) subsidiaries

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Amounts due from subsidiaries | **2,452,287** | 3,143,108 |
| Less: Impairment losses recognised | **(2,065,211)** | (2,439,235) |
| | **387,076** | 703,873 |
| Amounts due to subsidiaries | **204,520** | 204,520 |

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

The movements in impairment losses in respect of amounts due from subsidiaries are set out as follows:

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Balance at beginning of the year | **2,439,235** | 2,128,894 |
| Written back | **(616,578)** | – |
| Impairment losses recognised during the year | **242,554** | 310,341 |
| Balance at end of the year | **2,065,211** | 2,439,235 |

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

*Notes: (Continued)*

(d) The reserves of the Company as at 31 December 2019 and 31 December 2018 are as follows:

| | Capital reserve HK$'000 | Share options reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2018 | 3,547 | – | (2,388,371) | (2,384,824) |
| Loss and total comprehensive expense for the year | – | – | (425,163) | (425,163) |
| At 31 December 2018 and 1 January 2019 | 3,547 | – | (2,813,534) | (2,809,987) |
| Loss and total comprehensive expense for the year | – | – | (790,163) | (790,163) |
| At 31 December 2019 | 3,547 | – | (3,603,697) | (3,600,150) |

The Company has no distributable reserve as at the end of the reporting period.

The capital reserve of the Company represented the amount of initial payment from certain shareholders to subscribe for new shares in the Company and the amount was subsequently forfeited as a result of non-payment of the remaining committed contribution in prior years.

## 38. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the COVID-19 since the beginning of 2020 is fluid and challenging situation facing all the industries of the society. The directors of the Company are monitoring the operation and continue to assess and react actively to the impact of COVID-19 outbreak on the Group's operations, financial position and financial performance accordingly.

Save as disclosed above, there was no other significant event took place subsequent to the end of the reporting period.

## 39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements.

## 40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 11 May 2020.

# FIVE YEAR FINANCIAL SUMMARY

| | 2015<br>HK$'000 | 2016<br>HK$'000 | 2017<br>HK$'000 | 2018<br>HK$'000 | **2019**<br>**HK$'000** |
|---|---|---|---|---|---|
| **RESULTS** | | | | | |
| Revenue | 179,653 | (248,754) | (274,849) | (95,125) | **55,948** |
| Profit/(loss) for the year | 446,184 | (993,106) | (566,826) | (744,708) | **(541,440)** |
| Profit/(loss) attributable to: | | | | | |
| Owners of the Company | 446,179 | (993,106) | (566,826) | (744,708) | **(541,440)** |
| Non-controlling interests | 5 | – | – | – | **–** |
| | 446,184 | (993,106) | (566,826) | (744,708) | **(541,440)** |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 2,367,360 | 2,172,926 | 1,897,258 | 1,385,826 | **960,328** |
| Total liabilities | (138,715) | (751,276) | (1,019,833) | (1,254,657) | **(1,377,467)** |
| | 2,228,645 | 1,421,650 | 877,425 | 131,169 | **(417,139)** |
| Equity attributable to owners of the Company | 2,225,255 | 1,421,650 | 877,425 | 131,169 | **(417,139)** |
| Non-controlling interests | 3,390 | – | – | – | **–** |
| | 2,228,645 | 1,421,650 | 877,425 | 131,169 | **(417,139)** |