隆成金融集團

Lerado Financial Group Company Limited

(Incorporated in Bermuda with limited liability)
Stock Code : 1225

ANNUAL REPORT

2020

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. CHEN Chun Chieh
Mr. LEUNG Kam Por Ken
Ms. HO Kuan Lai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Tat Chi Michael
Mr. YANG Haihui
Mr. LAM Williamson

AUDIT COMMITTEE

Mr. YU Tat Chi Michael *(Chairman)*
Mr. LAM Williamson
Mr. YANG Haihui

REMUNERATION COMMITTEE

Mr. YU Tat Chi Michael *(Chairman)*
Mr. LEUNG Kam Por Ken
Ms. HO Kuan Lai
Mr. LAM Williamson
Mr. YANG Haihui

NOMINATION COMMITTEE

Ms. HO Kuan Lai *(Chairlady)*
Mr. CHEN Chun Chieh
Mr. LAM Williamson
Mr. YU Tat Chi Michael
Mr. YANG Haihui

COMPANY SECRETARY

Mr. MAN Yun Wah

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

20/F
Skyway Centre
23-25 Queen's Road West
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR

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

STOCK CODE

Hong Kong Stock Exchange: 1225

COMPANY WEBSITE

www.lerado.com

PRINCIPAL BANKERS

Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Elite Partners CPA Limited

Financial Highlights

	2020 ***HK$'000***	2019 *HK$'000*	2018 *HK$'000*
Revenue	**208,883**	247,592	246,313
Loss before taxation	**(22,739)**	(95,371)	(64,151)
As a percentage of revenue	**(10.9%)**	(38.5%)	(26.0%)
EBITDA	**50,861**	(22,229)	5,859
As a percentage of revenue	**24.3%**	(8.98%)	2.4%
Loss attributable to owners of the company	**(13,785)**	(86,170)	(68,090)
As a percentage of revenue	**(6.6%)**	(34.8%)	(27.6%)
Total assets	**2,113,199**	2,070,372	2,196,739
Total capital employed*	**1,931,467**	1,922,694	2,022,125
Equity attributable to owners of the company	**1,114,113**	1,107,601	1,193,897
Loss per share *(HK cents)*	**(0.60)**	(3.74)	(2.96)
Return on average shareholders' equity	**(1.2%)**	(7.5%)	(5.5%)
Current ratio	**9.7**	10.8	10.6
Gearing ratio	**73.3%**	72.5%	69.3%
Medical and Plastic Toys Business and Tradings of Garments			
Average inventory turnover *(days)*	**108**	66	78
Average trade debtor turnover *(days)*	**78**	73	114

* Total capital employed includes shareholders' equity and interest-bearing debts.

Management Discussion and Analysis

BUSINESS REVIEW

Lerado Financial Group Company Limited (the "Company", together with its subsidiaries, the "Group") is an investment holding company. The Group is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing children plastic toys and medical care products like mobility aid and other medical equipment.

Medical Products and Plastic Toys Business

For the medical products and plastic toy business, Europe represented the largest export market of this segment in the world. Sales revenue from European customers decreased by approximately 11.6% to approximately HK$35.3 million for the year ended 31 December 2020, representing approximately 59.8% of the total revenue from medical products and plastic toys business. Revenue from the United States (the "US") customers decreased by approximately 23.0% to approximately HK$6.5 million for the year ended 31 December 2020, accounting for approximately 11.0% of the total revenue from medical and plastic toys business. Revenue from the People's Republic of China (the "PRC") customers decreased by approximately 26.9% to approximately HK$5.6 million for the year ended 31 December 2020, accounting for approximately 9.5% of the total revenue from medical and plastic toys business.

In terms of products, sales revenue from medical products for the year ended 31 December 2020 was approximately HK$43.1 million, representing a decrease of approximately 13.4% over last year and accounted for approximately 73.1% of the total revenue from medical products and plastic toys business. Sales revenue from plastic toys slightly decreased by approximately 10.5% to approximately HK$15.9 million for the year ended 31 December 2020. The overall decrease in the revenue for medical products and plastic toys business was due to the outbreak of coronavirus disease (COVID-19) and the overall economic downturn in 2020.

Securities Brokerage, Margin Financing, Underwriting and Placements and Assets Management Business

Black Marble Securities Limited, a wholly-owned subsidiary of the Company ("Black Marble Securities") has generated approximately HK$12.1 million revenue for the year ended 31 December 2020 (2019: HK$15.9 million), representing approximately 5.8% of the total revenue of the Group. It was mainly contributed by the interest income generated from the margin client of approximately HK$10.4 million for the year ended 31 December 2020 (2019: HK$15.3 million).

The Group has started to develop assets management business and wishes to launch different type of fund to attract new investors for scaling up the portfolio size and the Group will receive management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively. However, the assets management business has not yet generated any revenue during the year ended 31 December 2020 due to the weak market condition and the decline of investor enthusiasm.

Management Discussion and Analysis

Money Lending and Finance Leasing

For the year ended 31 December 2020, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals and corporations and commenced its finance lease business in the PRC. The Group has generated approximately HK$135.4 million interest income for the year ended 31 December 2020 and has increased approximately HK$0.8 million as compared to last year, representing approximately 64.8% of the total revenue of the Group. The directors of the Company (the "Directors") are of the view that such business will keep contributing the income stream to the Group and is one of the main sources of income of the Group.

Sales of Garment Accessories and Sourcing Service Income

The sales of garment accessories and sourcing service income had generated approximately HK$1.1 million revenue for the year ended 31 December 2020 (2019: HK$28.2 million), representing approximately 0.5% of the total revenue of the Group. The decrease was mainly due to the outbreak of COVID-19 which adversely affected the revenue generated from the PRC. Also, the change of business strategic has resulted the decrease of revenue for the year ended 31 December 2020.

PROSPECTS

The Group has endeavored to develop and expand the financial sectors, including money lending business, financing leasing and securities brokerage business in Hong Kong and the PRC. In order to further expand the business, the Company will focus on the existing businesses and wish to participate in providing other financial services, including but not limited to providing corporate finance, asset management, financial planning services, which can leverage with the Group's existing financial sectors.

However, the COVID-19 is having an adverse effect in the market and the worldwide economy. It would likely reduce the investor enthusiasm and our businesses in Hong Kong and the PRC are expected to be very challenging in the coming years. Since the COVID-19 pandemic, the PRC Government has taken emergency measures to prevent the spread of the COVID-19 in the PRC, including, among others, imposing restriction on work resumption date after the statutory holidays for Chinese New Year, yet that revenue of the Group's medical products and plastic toys business has been decreased in the first quarter of 2020. Furthermore, the joint venture agreement with China Kweichow Moutai, Qianhai Xinhuakang Financial Holdings (Shenzhen) Limited, First Shanghai Financial Investments Limited, and Shijiazhuang Changshan Textile was terminated on 16 January 2020, as it was anticipated that the application would not be approved by the China Securities Regulatory Commission (the "CSRC").

In light of the above, the Group will adopt cautious flexible strategy to face the market changes. Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will keep focusing on the existing business and looking for potential investment opportunities to diversify its business scope and leverage with the Group's business. We are committed to strengthen the corporate governance of the Group, and will continue to facilitate the resumption of trading in the Shares and create the greatest possible value for all the shareholders of the Company (the "Shareholders").

Management Discussion and Analysis

FINANCIAL REVIEW

Consolidated revenue of the Group for the year ended 31 December 2020 was approximately HK$208.9 million (2019: HK$247.6 million), representing a decrease of approximately 15.6% over last year. The decrease in the consolidated revenue was mainly due to the decrease of medical products and plastic toys business and garments business, of which the decrement was HK$35.7 million.

Gross profit margin of the Group for the year ended 31 December 2020 was approximately 77.5%, representing an increase of approximately 9.4% as compared to the gross profit margin of approximately 68.1% in the last year. Loss of the Group for the year ended 31 December 2020 was approximately HK$14.0 million (2019: HK$86.2 million) and loss for the year attributable to owners of the Company was approximately HK$13.8 million (2019: HK$86.2 million). The increase was mainly due to the decrease of impairment loss of net of reversal of approximately HK$38.4 million and impairment loss on goodwill of approximately HK$31.5 million for the year ended 31 December 2020 as compared with last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position. Cash and cash equivalents of the Group as at 31 December 2020 decreased by approximately HK$45.2 million to approximately HK$230.2 million as compared to approximately HK$275.4 million as at 31 December 2019. The Group has bank borrowings of approximately HK$3.0 million (2019: HK$3.2 million), bank overdrafts of approximately HK$5.0 million (2019: HK$4.8 million), term loan of approximately HK$28.0 million (2019: HK$28.0 million) and bond payable of approximately HK$781.0 million (2019: HK$767.7 million) as at 31 December 2020. As at 31 December 2020, the Group had net current assets of approximately HK$1,747.6 million (31 December 2019: HK$1,736.3 million) and a current ratio of approximately 9.7 (31 December 2019: 10.8). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business and trading of garments for the year ended 31 December 2020 were 78 days (31 December 2019: 73 days) and 108 days (31 December 2019: 66 days) respectively. The Group's gearing ratio as at 31 December 2020 was approximately 73.3% (2019: 72.5%). The gearing ratio was computed by the total borrowings and bonds payable over the equity of the Group.

SIGNIFICANT INVESTMENTS

Since there was no held-for-trading investments and other investments held by the Group valued more than 5% of the total assets of the Group as at 31 December 2020, there were no significant investments held by the Group. Details of the held-for-trading investments held by the Group and the fair value changes of the held-for-trading investments for the year are set out in note 25 to the financial statements for the year ended 31 December 2020.

PLEDGE OF ASSETS

The bank borrowings of the Group were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group's investment properties of approximately HK$7.0 million (2019: HK$7.5 million). The term loan of approximately HK$28.0 million (2019: HK$28.0 million) was secured by the Group's investment properties of approximately HK$38.6 million (2019: HK$49.2 million) as at 31 December 2020.

Management Discussion and Analysis

TERMINATION OF THE PROPOSED FORMATION OF A JOINT VENTURE SECURITIES COMPANY IN THE PRC

Reference is made to the announcement of the Company dated 16 January 2020 that China Kweichow Moutai, Qianhai Xinhuakang Financial Holdings (Shenzhen) Limited, First Shanghai Financial Investments Limited, Shijiazhuang Changshan Textile and Black Marble Securities (the "JV Shareholders") entered into a termination agreement, pursuant to which, among others, the JV Shareholders agreed to terminate the JV Agreement, the Supplementary Agreement and the Second Supplementary Agreement (the "JV Agreements"), as it was anticipated that the application would not be approved by the CSRC under the current market condition and the environment in the PRC, after the assessment by the preparatory group formed by China Kweichow Moutai (Group) Distillery Co., Ltd. and Hua Kang Insurance Agency Co., Ltd. for coordinating the application to the CSRC (the "Preparatory Group").

As all the JV Shareholders agreed to terminate the JV Agreements, the JV Shareholders were no longer required to comply with the obligations under the JV agreements and were not liable to any compensation/claims as a result and the refundable deposit has been returned by the Preparatory Group to the JV Shareholders.

The Board considered that the termination of the JV Agreements would not cause any material adverse effect on the operation and business of the Group.

EXCHANGE RISK EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in United States dollar, Renminbi, Hong Kong dollar, Euro and New Taiwan dollar. In the event that Renminbi appreciates, the Group will be affected directly. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group's business operations.

EQUITY PRICE RISK EXPOSURE

The Group is exposed to equity price risk through its investments in listed securities. Although, the Group currently does not maintain any hedging policy to hedge against the equity price risk, the management team manages this exposure by monitoring the price movements and the changes in market conditions that may affect the value of the investments and will consider taking appropriate actions to minimize the risk.

CONTINGENT LIABILITY

As at 31 December 2020, the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total workforce of around 210 staff members (2019: 220), of which about 180 worked in the PRC and the remaining in Hong Kong. Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. CHEN Chun Chieh ("**Mr. Chen**"), aged 45, was appointed as an executive Director on 3 April 2008. Mr. Chen has been working for the Group since 2002, and currently is an executive Director, a member of the nomination committee of the Company (the "Nomination Committee") and a director of certain subsidiaries of the Company. He obtained a master's degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

Mr. Leung Kam Por, Ken ("**Mr. Leung**"), aged 41, was appointed as an executive Director on 28 January 2019. Mr. Leung currently is an executive Director, a member of the remuneration committee of the Company (the "Remuneration Committee") and a director of certain subsidiaries of the Company. Mr. Leung holds a bachelor of engineering degree from Hong Kong Polytechnic University. Mr. Leung held a number of senior positions in various organizations including management consulting firm, licensed corporation and conglomerate. He has over 15 years of senior managerial experience of which 4 years working for licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance, and 3 years working as a director of a sizable company which mainly carries on money lending business. He also has extensive experience in different industries and is specializing in manufacturing, supply chain, finance, money lending, business consultancy and general management.

Ms. Ho Kuan Lai ("**Ms Ho**"), aged 49, was appointed as an executive Director on 22 December 2017. Ms Ho currently is an executive Director, the chairlady of the Nomination Committee and a member of the Remuneration Committee. Ms. Ho is currently an associate member of the Singapore Institute of Chartered Secretarial & Administrator. She had been a non-executive director of Laura Ashley Holdings (a company listed on the main board of the London Stock Exchange, stock code: ALY) between 17 June 2013 and 3 August 2014, and an executive director of Morning Star Resources Limited (a company listed on the main board of the Stock Exchange, stock code: 542) between 1 February 2010 and 7 October 2010 and previously held senior management position of a sizable group of companies in Malaysia and United Kingdom. Ms. Ho has abundant experience in management of sizable group of companies.

Directors' Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Tat Chi Michael ("**Mr. Yu**"), aged 56, was appointed as an independent non-executive Director on 6 February 2018. Mr. Yu currently is an independent non-executive Director, a member of the Nomination Committee, the chairman of the Remuneration Committee and the chairman of the audit committee of the Company (the "Audit Committee"). Mr. Yu holds a bachelor of commerce degree from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu is also a founding member of The Hong Kong Independent Non-Executive Director Association. Mr. Yu has many years of experience in accounting, corporate finance and asset management. He had held senior management positions in several listed companies in Hong Kong. He is currently an independent non-executive director of Golden Resources Development International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 677) since 30 August 2012, EVOC Intelligent Technology Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2308) since 30 May 2016, Applied Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 519) since 14 September 2016, China Netcom Technology Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8071) since 31 August 2017 and Unity Investments Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 913) since 17 August 2020. Mr. Yu has extensive experience in the field of accounting. The Company considers that Mr. Yu can provide independent and comprehensive advice to the Company.

Mr. Yang Haihui ("**Mr. Yang**"), aged 29, was appointed as an independent non-executive Director on 6 February 2018. Mr. Yang currently is an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Yang holds a bachelor of software engineering from the Beijing Normal University, Zhuhai. He currently serves managerial position of Jinshang Capital Investment Management Co. Ltd., primarily responsible for risk management in terms of investment, lending and product portfolio. He has extensive experience in risk management. The Company considers that Mr. Yang can provide independent advice to the Company and enhance the risk management of the Company.

Mr. Lam Williamson ("**Mr. Lam**"), aged 46, was appointed as an independent non-executive Director on 20 July 2018. Mr. Lam currently is an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Lam is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of the CPA (Australia). He holds a bachelor of business degree from Monash University, Australia and a master of professional accounting degree from the Hong Kong Polytechnic University. Mr. Lam had held directorships and senior finance positions in various listed companies in Hong Kong. Mr. Lam is currently an independent non-executive director of Elife Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 223) since 1 January 2011.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company had complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2020, save for the deviations as stated below: Under the Code provision A.2.1 of the Code, the rules of the chairman and the chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive of the Company should be clearly established and set out in writing. Throughout the year ended 31 December 2020, the Company did not have chairman of the Board and chief executive officer. The Board has been looking for suitable candidates to fill the vacancies.

THE BOARD

Responsibilities

The Board is responsible for overseeing the overall development of the Company's business with the objective of enhancing shareholders' value including setting and approving the Company's strategic plan, considering substantial investments, reviewing the Group's financial performance and developing and reviewing the Group's policies and practices on corporate governance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

The Directors are aware of the requirements under the applicable regulations and the Listing Rules for the handling and dissemination of inside information. All the inside information identified by the Directors shall be published and disclosed to the public timely through the Company's publications and communications, unless the information falls within safe harbours as prescribed in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Corporate Governance Report

Board Composition

As at the date of this annual report, the Board comprises 6 members in total, with 3 executive Directors and 3 independent non-executive Directors.

The composition of the Board during the year ended 31 December 2020 and up to the date of this annual report is set out below:

Executive Directors

Mr. CHEN Chun Chieh
Ms. HO Kuan Lai
Mr. LEUNG Kam Por Ken

Independent Non-Executive Directors

Mr. YU Tat Chi Michael
Mr. YANG Haihui
Mr. LAM Williamson

The biographical details of the current Board members are set out under the section headed "Directors' Profile" on pages 8 to 9 of this report. Each of the independent non-executive Directors is appointed for a term of three years.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Company is in compliance with the requirements 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, and the independent non-executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All the Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Appointment and Re-election of Directors

In accordance with the Company's bye-laws, all the Directors are subject to retirement by rotation at least once every three years and any new director appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election at the meeting.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's bye-laws. The Nomination Committee is responsible for reviewing the board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to the Directors in advance.

Notice of regular Board meetings is served to all the Directors at least 14 days before the meeting. For other Board and board committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or board committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management of the Company where necessary.

The senior management, including company secretary of the Company (the "Company Secretary") attend all regular Board meetings and where necessary, other Board and board committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and board committee meetings. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and final versions are open for the Directors' inspection.

The Company's bye-laws contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2020, 4 regular board meetings were held for, among others, reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each Director at the Board meetings and the annual general meeting for the year 2020 (the "2020 AGM") during the year ended 31 December 2020 are set out below:

Name of Director	Attendance/Number of Meetings	
	Board Meetings	2020 AGM
Mr. Chen Chun Chieh	4/4	0/1
Ms. Ho Kuan Lai	4/4	1/1
Mr. Leung Kam Por Ken	4/4	1/1
Mr. Yu Tat Chi Michael	4/4	1/1
Mr. Yang Haihui	4/4	0/1
Mr. Lam Williamson	4/4	1/1

Directors' Training

The Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed director or alternative director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company has provided information related to the changes in the Listing Rules to the Directors to update and refresh the Directors' knowledge on the latest developments to the Listing Rules. The Company will continuously update the Directors on the latest developments to the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance the Directors' awareness of good corporate governance practices.

Model Code for 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.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2020.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All the Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the senior management for the discharge of its responsibilities.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established three board committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee for overseeing particular aspects of the Company's affairs. All board committees of the Company are established with defined written terms of reference which are available for the reference of the Shareholders and the public on the websites of the Company and the Stock Exchange. Each of the Nomination Committee, the Remuneration Committee and the Audit Committee is provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Nomination Committee

As at the date of this annual report, the Nomination Committee comprises 5 members, namely Ms. Ho Kuan Lai, Mr. Chen Chun Chieh, Mr. Yu Tat Chi Michael, Mr. Yang Haihui and Mr. Lam Williamson, the majority of which are independent non-executive Directors, with Ms. Ho Kuan Lai acting as the chairlady.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of the Directors, and assessing the independence of the independent non-executive Directors.

The Nomination Committee is also responsible to review the Board Diversity Policy, as appropriate; and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results in the Corporate Governance Report annually.

During the year ended 31 December 2020, the Nomination Committee was primarily responsible, among others, for:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on selection of individuals nominated for directorships;
- assessing the independence of the independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for the Directors and, in particular, the chairman of the Board and the CEO of the Company; and
- reviewing the policy on Board diversity and any measurable objectives for implementing such policy.

The terms of reference of the Nomination Committee and the authority delegated by the Board is available on the websites of the Stock Exchange and the Company.

The Nomination Committee will meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the year under review, details of attendance are set out below:

Nomination Committee Members	**Attendance/ Number of Meeting**
Mr. Chen Chun Chieh	1/1
Ms. Ho Kuan Lai	1/1
Mr. Yu Tat Chi Michael	1/1
Mr. Yang Haihui	1/1
Mr. Lam Williamson	1/1

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises 5 members, namely Mr. Yu Tat Chi Michael, Ms. Ho Kuan Lai, Mr. Leung Kam Por Ken, Mr. Yang Haihui and Mr. Lam Williamson, the majority of which are independent non-executive Directors, with Mr. Yu Tat Chi Michael acting as the chairman.

The Remuneration Committee is responsible for, among others, making recommendations to the Directors' remuneration and other benefits. The remuneration of all the Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation is reasonable. Its written terms of reference are in line with the provisions of the CG Code.

During the year ended 31 December 2020, the Remuneration Committee was primarily responsible, among others, for:

- making recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- recommending to the Board the specific remuneration packages of all the executive Directors and senior management members of the Company; and
- reviewing and proposing performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of reference of the Remuneration Committee explaining its role and the authority delegated to it by the Board is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee held one meeting during the year ended 31 December 2020 and the details of attendance are set out below:

Remuneration Committee Members	**Attendance/ Number of Meeting**
Ms. Ho Kuan Lai	1/1
Mr. Leung Kam Por Ken (appointed on 28 January 2019)	1/1
Mr. Yu Tat Chi Michael	1/1
Mr. Yang Haihui	1/1
Mr. Lam Williamson	1/1

Audit Committee

As at the date of this annual report, the Audit Committee comprises 3 members, namely Mr. Yu Tat Chi Michael, Mr. Yang Haihui and Mr. Lam Williamson, all of whom are independent non-executive Directors, with Mr. Yu Tat Chi Michael acting as the chairman.

The primary duties of the Audit Committee are, among others, to review and supervise the financial reporting process and internal control system and to provide advice and comments to the Board.

During the year ended 31 December 2020, the Audit Committee was primarily responsible among others, for:

- making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- reviewing and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- developing and implement policy on the engagement of an external auditor to supply non-audit services;

- monitoring integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and reviewing significant financial reporting judgements contained in them;

- reviewing the Company's financial controls, internal control and risk management systems;

- discussing with management the system of internal controls and risk management and ensuring that management has discharged its duty to have an effective internal control system and risk management;

- reviewing the Group's financial and accounting policies and practices; and

- reviewing the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of internal controls and risk management and management's response, and ensuring that the Board provides a timely response to the issues raised.

The Audit Committee held 2 meetings during the year ended 31 December 2020 and the details of attendance are set out below:

Audit Committee Members	**Attendance/ Number of Meeting**
Mr. Yu Tat Chi Michael	2/2
Mr. Yang Haihui	2/2
Mr. Lam Williamson	2/2

Corporate Governance Functions

During the year ended 31 December 2020, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;

- to review and monitor the training and continuous professional development of the Directors and senior management;

- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

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

- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Risk Management and Internal Controls

During the year ended 31 December 2020, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of the risk management and internal control system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

The Company has also engaged an external professional firm for the purpose of conducting internal audit function, who has conducted a review of the Group's operational control and risk management.

Corporate Governance Report

COMPANY SECRETARY

Mr. Man Yun Wah has been nominated by In.Corp Corporate Services (HK) Limited (formerly known as RHT Corporate Advisory (HK) Limited) to act as the Company Secretary, who has complied with the requirements of the Listing Rules. He has been contacting with the Board directly in respect of company secretarial matters.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 28 of this annual report.

During the year ended 31 December 2020, the remunerations paid/payable to the Company's external auditors, Elite Partners CPA Limited are set out below:

Type of Services	**Fees Paid/ Payable** *(HK$)*
Audit Services	
– Audit of annual financial statements	710,000
Total	710,000

There was no non-audit service provided by Elite Partners CPA Limited to the Company during the year ended 31 December 2020.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders face-to-face dialogue with the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent board committee, are available to answer questions at shareholders' meetings.

The forthcoming annual general meeting of the Company (the "AGM") will be held on 22 June 2021. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

SHAREHOLDER RIGHTS

Convening a special general meeting by shareholders

Procedures for shareholders to convene a special general meeting (including making proposals/moving a resolution at the special general meeting)

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at a special general meeting.

- Eligible Shareholders who wish to convene a special general meeting for the purpose of making proposals or moving a resolution at a special general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a special general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene a special general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for a special general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene a special general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the bye-laws, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making enquiry to the Board

The Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post to 20/F., Skyway Centre, 23-25 Queen's Road West, Sheung Wan, Hong Kong or email to public@lerado.com.hk.

Investors Relationship

Bye-laws

There has not been any significant change to the Company's bye-laws during the year ended 31 December 2020.

Investors Communication Policy

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at www.lerado.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted and available for public access.

The Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	(852) 3700 9600
By post:	20/F Skyway Centre 23-25 Queen's Road West Sheung Wan, Hong Kong
Attention:	Investor Relations Department
By email:	public@lerado.com.hk

Disclaimer

The contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the Shareholders. The Shareholders should seek their own independent legal or other professional advice as to their rights as the Shareholders. The Company disclaims all liabilities and losses incurred by the Shareholders in reliance on any contents of this section headed "Shareholders' Rights".

Directors' Report

The Directors present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements for the year ended 31 December 2020.

Descriptions and reviews of principal risks and uncertainties that the Group may be facing are set out on pages 112 to 127 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 33 and 34 of the annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020.

PROPERTY, PLANT AND EQUIPMENT

The Group's buildings were revalued at 31 December 2020. The revaluation resulted in gain of HK$2,093,000 which was credited to property revaluation reserve at 31 December 2020.

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements for the year ended 31 December 2020.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 to the consolidated financial statements for the year ended 31 December 2020.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at the end of the reporting period were as follows:

	2020	2019
	HK$'000	*HK$'000*
Contributed surplus	**244,461**	244,461
Accumulated losses	**(768,071)**	(245,954)
	(523,610)	(1,493)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIVIDEND POLICY

The Dividend Distribution Policy of the Company establishes the principles to ascertain amounts that can be distributed to the Shareholders as dividend by the Company. Subject to the applicable law and its Bye-Laws, the Company's dividend payout will be determined based on available financial resources, investment requirements and taking into account optimal shareholders return.

While determining the nature and quantum of dividend payout, the Board would take into account the following factors, inter alia:

- Cash flow position of the Company
- Earnings stability
- Long term investments
- Future cash requirements for development
- Economic environment
- Industry outlook for the future years
- Changes in the Government policies, industry specific rulings & regulatory provisions

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this annual report were:

Executive Directors:

Mr. Chen Chun Chieh
Ms. Ho Kuan Lai
Mr. Leung Kam Por Ken

Independent non-executive Directors:

Mr. Yu Tat Chi Michael
Mr. Yang Haihui
Mr. Lam Williamson

In accordance with clause 87 of the Company's bye-laws, Mr. Chen Chun Chieh and Mr. Yang Haihui will retire at the forthcoming AGM and, being eligible, offer themselves for re-election. All the other Directors will continue in office.

The terms of office of all independent non-executive Directors are subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

No Director has entered into service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, none of the Directors, supervisor or the chief executive of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which shall be recorded and maintained in the register pursuant to section 352 of the SFO, or which shall be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SHARE OPTIONS

Particulars of the share option schemes and the movements in the share options of the Company are set out in note 33 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than share option schemes mentioned 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 debentures of, the Company or any other body corporate.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following Shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Mak Kwong Yiu	Beneficial owner	217,072,320	9.42%
Opus Platinum Growth Fund	Beneficial owner	180,000,000	7.82%
Mr. Lai Shu Fun, Francis Alvin *(Note 1)*	Interest in Controlled Corporation	180,000,000	7.82%

Note:

(1) Mr. Lai Shu Fun, Francis Alvin is indirectly interested in approximately 40.03% of the total issued share capital of Opus Platinum Growth Fund. Therefore Mr. Lai Shu Fun, Fancis Alvin is deemed to be interested in the 180,000,000 shares held by Opus Platinum Growth Fund.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31 December 2020.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

CONNECTED TRANSACTIONS

Other than those disclosed in note 36 to the consolidated financial statements for the year ended 31 December 2020, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 36 to the consolidated financial statements for the year ended 31 December 2020, no contracts of significance, to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end or at any time during the year ended 31 December 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the aggregate sales attributable to the Group's five largest customers represented approximately 21.7% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 8.3% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 22.4% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 6.6%.

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

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are decided by the board of directors, who are authorised by the shareholders in the annual general meeting, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to the Directors and eligible employees, details of these schemes are set out in note 33 to the consolidated financial statements for the year ended 31 December 2020.

Directors' Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group endeavors to monitor and minimize impact to the environment. For the purpose of disclosing the information in relation to environmental, social and governance ("ESG") in accordance with the ESG Reporting Guide in Appendix 27 to the Listing Rules, an ESG report of the Company for the year ended 31 December 2020 will be published within three months after the publication of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2020.

AUDITOR

The Audit Committee has recommended to the Directors the nomination of Elite Partners CPA Limited for re-appointment as auditor of the Company at the forthcoming AGM.

The auditor, Elite Partners CPA Limited, has expressed its willingness to accept re-appointment. A resolution for the re-appointment of Elite Partners CPA Limited as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the board

Ho Kuan Lai
Executive Director

31 March 2021

Independent Auditor's Report

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF LERADO FINANCIAL GROUP COMPANY LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Lerado Financial Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 135, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and loan receivables	
We identified the impairment assessment under expected credit losses ("ECL") of HKFRS 9 for trade receivables and loan receivables as a key audit matter due to its significance to the consolidated financial statements and the significant management estimates and judgement required in the measurement. • Determination of the criteria for significant increase in credit risk ("SICR"); • Selection of models and assumptions used in the ECL models, including Probability of default ("PD") and Loss given default ("LGD"); and • Establishing the relative probability weightings of forward-looking scenarios. In addition, the ECL measurement involves management estimates and judgement in the consideration of various factors, including the realisable value of securities or collaterals from clients and their guarantors which are held by the Group and subsequent settlement and additional collaterals received. The total gross amount of loan receivables was approximately HK$1,496,880,000 with accumulated impairment provision of approximately HK$99,400,000 as at 31 December 2020, details of which has been disclosed in note 23 to the consolidated financial statements. The total gross amount of trade receivables was approximately HK$234,956,000 with accumulated impairment provision of approximately HK$96,088,000 as at 31 December 2020, details of which has been disclosed in notes 22 to the consolidated financial statements.	Our procedures in relation to impairment assessment under ECL of HKFRS 9 for trade receivables and loan receivables include: • Understanding the established policies and procedures on impairment assessment of the Group in relation to the application of ECL model under HKFRS 9, including model set up and approval, and selection and application of assumptions and inputs into the model; • Assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining if a SICR has occurred or the financial asset is credit-impaired and the basis for classification of exposures into the 3 stages as required by HKFRS 9; • Examining supporting documents for a selection of margin client receivables for the classification of loan exposures with a SICR (stages 1 or 2) or which have been credit-impaired (stage 3) as at the end of the reporting period; • Evaluating the reasonableness and appropriateness of the key models and the critical assumptions, inputs and parameters used in the model; • Examining significant data inputs into the ECL model, including PD and LGD after taking into consideration forward looking information; and • For a sample of margin client receivables and loan receivables classified as stage 3, assessing the reasonableness of the estimated future cash flows and the fair value of collateral received from clients or their guarantors, and examining underlying documentation supporting the fair value of the collateral received from clients or their guarantors and any settlement of secured margin loans subsequent to the end of the reporting period.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Mr. Leung Man Kin, with Practising Certificate number P07174.

Elite Partners CPA Limited
Certified Public Accountants

10/F., 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong
31 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	5		
– Goods and services		**63,048**	97,717
– Interest		**145,835**	149,875
Total revenue		**208,883**	247,592
Cost of inventories and services		**(47,052)**	(78,918)
		161,831	168,674
Other income	6	**7,576**	9,869
Other gains and losses, net	7	**(280)**	(40,781)
Impairment loss recognised on financial assets at amortised cost, net	7	**(55,505)**	(93,940)
Marketing and distribution costs		**(3,784)**	(12,541)
Administrative expenses		**(68,897)**	(62,315)
Share of profit of an associate		**166**	–
Finance costs	8	**(63,846)**	(64,337)
Loss before taxation		**(22,739)**	(95,371)
Income tax credit	9	**8,756**	9,153
Loss for the year	10	**(13,983)**	(86,218)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		**14,450**	3,681
Recognition of deferred tax liability arising on property revaluation		**(3,009)**	(920)
		11,441	2,761
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**8,856**	(2,887)
Other comprehensive income/(expense) for the year		**20,297**	(126)
Total comprehensive income/(expense) for the year		**6,314**	(86,344)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	**2020** **HK$'000**	2019 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(13,785)**	(86,170)
Non-controlling interests		**(198)**	(48)
		(13,983)	(86,218)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**6,512**	(86,296)
Non-controlling interests		**(198)**	(48)
		6,314	(86,344)
Loss per share	*14*		
– Basic		**(HK0.60 cents)**	(HK3.74 cents)
– Diluted		**(HK0.60 cents)**	(HK3.74 cents)

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	15	**26,527**	32,381
Right-of-use assets	16	**17,298**	23,471
Investment properties	17	**65,087**	56,700
Goodwill	18	**–**	1,900
Investment in associates	19	**9,824**	167
Financial assets at fair value through profit or loss ("FVTPL")	25	**25,557**	10,451
Deposits paid for acquisition of subsidiaries		**–**	6,700
Deposits paid for formation of an associate	20	**–**	9,726
Statutory deposits placed with clearing house		**205**	205
Deferred tax assets	30	**19,317**	16,017
		163,815	157,718
Current assets			
Inventories	21	**13,807**	13,721
Trade and other receivables and prepayments	22	**200,719**	217,467
Finance lease receivables	24	**–**	6,016
Loan receivables	23	**1,397,480**	1,298,944
Financial assets at FVTPL	25	**79,877**	44,166
Tax recoverable		**716**	–
Bank balances (trust and segregated accounts)	26	**26,536**	56,968
Bank balances (general accounts) and cash	26	**230,249**	275,372
		1,949,384	1,912,654
Current liabilities			
Trade and other payables and accruals	27	**142,823**	116,471
Lease liabilities	29	**5,377**	5,184
Tax payable		**17,554**	18,660
Borrowings	28	**36,016**	36,001
		201,770	176,316
Net current assets		**1,747,614**	1,736,338
Total assets less current liabilities		**1,911,429**	1,894,056

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	31	**690,968**	690,968
Reserves		**423,145**	416,633
		1,114,113	1,107,601
Non-controlling interests		**384**	582
Total equity		**1,114,497**	1,108,183
Non-current liabilities			
Bonds	28	**780,954**	767,677
Deferred tax liabilities	30	**15,556**	12,547
Lease liabilities	29	**422**	5,649
		796,932	785,873
		1,911,429	1,894,056

The consolidated financial statements on pages 33 to 135 were approved and authorised for issue by the Board of Directors on 31 March 2021 and are signed on its behalf by:

Leung Kam Por, Ken
DIRECTOR

Ho Kuan Lai
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Property revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Retained profit (accumulated losses) *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2019	690,968	352,753	38,510	25,040	2,576	1,270	82,780	1,193,897	630	1,194,527
Loss for the year	–	–	–	–	–	–	(86,170)	(86,170)	(48)	(86,218)
Exchange differences arising from translation	–	–	–	–	(2,887)	–	–	(2,887)	–	(2,887)
Gains on property revaluation	–	–	–	2,761	–	–	–	2,761	–	2,761
Total comprehensive expense for the year	–	–	–	2,761	(2,887)	–	(86,170)	(86,296)	(48)	(86,344)
At 31 December 2019	690,968	352,753	38,510	27,801	(311)	1,270	(3,390)	1,107,601	582	1,108,183
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(13,785)**	**(13,785)**	**(198)**	**(13,983)**
Exchange differences arising from translation	**–**	**–**	**–**	**–**	**8,856**	**–**	**–**	**8,856**	**–**	**8,856**
Gains on property revaluation	**–**	**–**	**–**	**11,441**	**–**	**–**	**–**	**11,441**	**–**	**11,441**
Total comprehensive expense for the year	**–**	**–**	**–**	**11,441**	**8,856**	**–**	**(13,785)**	**6,512**	**(198)**	**6,314**
At 31 December 2020	**690,968**	**352,753**	**38,510**	**39,242**	**8,545**	**1,270**	**(17,175)**	**1,114,113**	**384**	**1,114,497**

The special reserve of the Group represents the difference between the nominal value of shares of Lerado Group Limited, a subsidiary of the Company, together with its share premium and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company are required to maintain two statutory reserves, being the "statutory surplus reserve fund" and the "enterprise expansion fund", both of which are not distributable. Appropriations to such reserves are made out of the profit for the year as per the statutory financial statements of relevant PRC subsidiaries. The amount and allocation basis are decided by the respective board of directors annually.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 *HK$'000*	2019 *HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	**(22,739)**	(95,371)
Adjustments for:		
Depreciation of property, plant and equipment	**4,334**	4,488
Depreciation of right-of-use assets	**5,420**	4,317
Finance costs	**63,846**	64,337
Impairment loss recognised on financial assets at amortised cost, net	**55,505**	93,940
Bank interest income	**(121)**	(185)
Fair value changes of:		
– investment properties	**11,338**	(1,800)
– financial assets at FVTPL	**(12,015)**	9,163
Loss on disposal of property, plant and equipment	**8**	3
Share of profit of an associate	**(166)**	–
(Reversal)/provision of allowance for inventories	**(1,060)**	1,614
Impairment loss of goodwill	**1,900**	33,415
Gain on derecognition of financial assets	**(951)**	–
Operating cash flows before movements in working capital	**105,299**	113,921
Decrease/(increase) in inventories	**1,849**	(758)
(Increase)/decrease in trade and other receivables	**(9,714)**	20,929
Increase in loan receivables	**(121,784)**	(35,227)
Decrease in finance lease receivables	**2,524**	1,981
Increase in financial assets at FVTPL	**(30,491)**	(7,577)
Decrease/(increase) in bank balances – trust and segregated accounts	**30,432**	(18,418)
Increase/(decrease) in trade and other payables and accruals	**(53)**	(33,707)
Cash (used in)/generated from operations	**(21,938)**	41,144
Income tax refund/(paid), net	**3,594**	(310)
Interest paid	**(28,429)**	(47,567)
NET CASH USED IN OPERATING ACTIVITIES	**(46,773)**	(6,733)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(422)**	(150)
Interest received	**121**	162
Refund of deposits paid for formation of an associate	**9,726**	–
Investment in an associate	**(1,165)**	–
Loan to an associate	**(8,317)**	–
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(57)**	12
FINANCING ACTIVITIES		
Proceeds from issue of bonds, net of issue costs	**3,000**	–
Repayment of lease liabilities	**(5,034)**	(4,198)
Repayment of bonds	**–**	(40,963)
New term loan raised	**28,000**	28,000
Repayment of term loan	**(28,000)**	(20,000)
Repayment of bank loans	**(190)**	(197)
NET CASH USED IN FINANCING ACTIVITIES	**(2,224)**	(37,358)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(49,054)**	(44,079)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**270,571**	314,340
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,726**	310
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by		
Bank balances (general accounts) and cash	**230,249**	275,372
Bank overdrafts	**(5,006)**	(4,801)
	225,243	270,571

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business of the Company in Hong Kong is at 20/F., Skyway Centre, 23-25 Queen's Road West, Sheung Wan, Hong Kong. Trading in the shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended at the direction of the Securities and Futures Commission since 6 June 2017. As at the date of approval of the financial statements, the trading of the Shares remains suspended.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41.

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

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

(A) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institution of Certificated Public ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The Group has also early adopted Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" that is mandatory for the first time for financial year beginning 1 January 2021.

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(B) NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022

The Company's directors have performed an assessment on these new standard and amendments to standards, and have concluded on a preliminary basis that the adoption of these new standard and amendments to standards is not expected to have a significant impact on the Group's financial performance and position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

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

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Basis of preparation of consolidated financial statements *(continued)*

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group 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.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

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.

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

Goodwill

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Investment in associates

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

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Investment in associates *(continued)*

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

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

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

Revenue from contracts with customers

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Right-of-use assets *(continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed lease payments (including in-substance fixed payments).

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Lease liabilities *(continued)*

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 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 at the date of reassessment;

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Lease modifications *(continued)*

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

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

As a lessor

The Group enters into lease agreements as a lessor with respect to its investment properties to other parties.

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

Rental income from leases is recognised in other income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

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

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

The functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the group entity. The group entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change. At the date of the change, the group entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Borrowing costs

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, 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 interest 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

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

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

The measurement of deferred tax 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.

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

Current and deferred tax are recognised in profit or loss, except when it relates 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.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Any revaluation increase arising on the revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

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

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated losses.

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.

Investment properties

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

Investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade 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 market place.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that 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 that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets *(continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains or losses, net” line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

***Financial instruments** (continued)*

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables (excepts for receivables from margin clients).

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

(i) Significant increase in credit risk

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(continued)*

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for receivables from margin clients where a shorter period of 30 days past due has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), 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;

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(continued)*

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables (except margin clients) using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flow used for determining the ECL is consistent with the cashflows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(continued)*

(v) Measurement and recognition of ECL *(continued)*

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

Derecognition/modification 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Derecognition/modification of financial assets *(continued)*

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers 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 interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

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 entered into and the definitions of a financial liability and an equity instrument.

Equity instrument

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

Financial liabilities

Financial liabilities including trade and other payables and accrual, borrowings and bonds are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification 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 contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers 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 interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Derecognition/modification of financial liabilities *(continued)*

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment on property, plant and equipment and right-of-use assets

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

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Impairment on property, plant and equipment and right-of-use assets *(continued)*

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Impairment assessment of goodwill allocated to the trading of garment segment

In determining where goodwill is impaired requires an estimation of the value in use of cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The value in use has also taken into account the key assumptions used by management including growth rate, budgeted sales, gross margin and inventories price inflation. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2020, the carrying amount of goodwill is nil (net of accumulated impairment of HK$48,233,000) (2019: HK$1,900,000 (net of accumulated impairment of HK$46,333,000)). Details of the recoverable amount calculation are disclosed in note 18.

Impairment assessment under ECL for trade receivables arising from medical products and plastic toys business and trading of garments

Trade receivables arising from medical products and plastic toys business and trading of garments with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables arising from medical products and plastic toys business and trading of garments which are individually insignificant. The provision rates are based on past due aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL are disclosed in note 35.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment assessment under ECL for loan receivables, trade receivables arising from securities brokerage business and finance lease receivables

The Group estimates the amount of loss allowance for ECL on its loan receivables, trade receivables arising from securities brokerage business and finance lease receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of loan receivables, trade receivables arising from securities brokerage business and finance lease receivables. The assessment of the credit risk of loan receivables, trade receivables arising from securities brokerage business and finance lease receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgements and estimation are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Details of loan receivables, trade receivables arising from securities brokerage business and finance lease receivables are set out in Note 23, 22 and 24.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 35 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment assessment under ECL for loan receivables, trade receivables arising from securities brokerage business and finance lease receivables *(continued)*

Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

5. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments", which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to the segment and to assess its performance. The Group's Executive Directors are the CODM for the purposes of HKFRS 8 as it collectively makes strategic decisions in allocating the Group's resources and assessing performance.

For the segment reporting purpose to the CODM, the Group is currently organised into the following four operating and reportable segments:

Medical products and plastic toys business	Manufacturing and distribution of medical care products and plastic toys
Garments trading and sourcing	Trading and sourcing of garments accessories, such as nylon type, polyester and polyester string
Securities brokerage business and asset management services	Securities brokerage, margin financing and underwriting and placements and provision of asset management services
Money lending business and other financial services	Provision of loan services and other financial services

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue

An analysis of the Group's revenue by major goods and services categories for the year are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Medical products	**43,143**	49,812
Plastic toys	**15,855**	17,705
Garment accessories	**–**	28,186
Garment accessories sourcing service income	**1,052**	–
Fee and commission income	**2,998**	2,014
Revenue from contracts with customers	**63,048**	97,717
Interest income from		
– Loan receivables	**135,291**	134,117
– Margin financing	**10,446**	15,283
– Finance lease	**98**	475
	145,835	149,875
	208,883	247,592

	2020 *HK$'000*	2019 *HK$'000*
Timing of revenue recognition		
A point in time	**61,996**	97,717
Over time	**1,052**	–
	63,048	97,717

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Performance obligations for contracts with customers

Medical products

For sales of medical products to international customers, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers and the customers have obtained control on the goods through their ability to direct other use of and obtain substantially all the benefits from the goods. The normal credit term is 30 days upon delivery.

Plastic toys

For sales of plastic toys to international customers and the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers and the customers have obtained control on the goods through their ability to direct other use of and obtain substantially all the benefits from the goods. The normal credit term is 30 to 90 days upon delivery.

Garment accessories

During the year ended 31 December 2019, the Group sells garment accessories directly to customers and revenue is recognised when control of the goods has transferred, being when the goods have been shipped from the warehouse (delivery). Following delivery, customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. Hence, the revenue is recognised as a performance obligation at a point in time. The normal credit term is 30 to 90 days upon delivery.

Garment accessories sourcing service income

During the year ended 31 December 2020, the Group provides sourcing services for garment accessories. The customers simultaneously receives and consumes the benefit provided by the Group and the Group does not obtain control of the goods when the services are provided, hence the revenue is recognised as a performance obligation satisfied over time.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Performance obligations for contracts with customers *(continued)*

Fee and commission income

The Group provides broking and dealing service for securities. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

The Group also provide handling service for securities. Fee income is recognised when the transaction is executed. The Group provides custodian services for securities. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time.

Segment revenue and results

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

	Medical products and plastic toys business *HK$'000*	Garments trading and sourcing *HK$'000*	Securities brokerage business and asset management services *HK$'000*	Money lending business and other financial services *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2020					
Segment revenue – external	58,998	1,052	12,054	136,779	208,883
Segment results	(4,571)	(1,457)	(30,330)	112,707	76,349
Change in fair value of:					
– investment properties					(11,338)
– financial assets at FVTPL					12,015
Property rental income					3,310
Share of profit of an associate					166
Unallocated corporate income					894
Unallocated corporate expenses					(104,135)
Loss before taxation					(22,739)

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

	Medical products and plastic toys business HK$'000	Garments trading and sourcing HK$'000	Securities brokerage business and asset management services HK$'000	Money lending business and other financial services HK$'000	Consolidated HK$'000
For the year ended 31 December 2019					
Segment revenue – external	67,517	28,186	15,863	136,026	247,592
Segment results	(11,357)	(25,601)	(38,489)	94,406	18,959
Change in fair value of:					
– investment properties					1,800
– financial assets at FVTPL					(9,163)
Property rental income					3,085
Unallocated corporate income					8,924
Unallocated corporate expenses					(118,976)
Loss before taxation					(95,371)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by/loss from each segment without allocation of change in fair value of investment properties and financial assets at FVTPL, property rental income, share of profit of an associate, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purpose of resources allocations and performance assessment.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

	Medical products and plastic toys business *HK$'000*	Garments trading and sourcing *HK$'000*	Securities brokerage business and asset management services *HK$'000*	Money lending business and other financial services *HK$'000*	Consolidated *HK$'000*
As at 31 December 2020					
Segment assets	94,239	11,987	275,668	1,465,521	1,847,415
Investment properties					65,087
Investment in associates					9,824
Financial assets at FVTPL					105,434
Other unallocated assets					85,439
Total assets					2,113,199
Segment liabilities	50,697	15,360	36,404	13,091	115,552
Bonds					780,954
Other unallocated liabilities					102,196
Total liabilities					998,702

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

	Medical products and plastic toys business *HK$'000*	Garments trading and sourcing *HK$'000*	Securities brokerage business and asset management services *HK$'000*	Money lending business and other financial services *HK$'000*	Consolidated *HK$'000*
As at 31 December 2019					
Segment assets	100,936	15,847	318,780	1,386,048	1,821,611
Investment properties					56,700
Investment in an associate					167
Deposit paid for forming of an associate					9,726
Deposit paid for acquisition of subsidiaries					6,700
Financial assets at FVTPL					54,617
Other unallocated assets					120,851
Total assets					2,070,372
Segment liabilities	47,230	16,086	47,394	7,988	118,698
Bonds					767,677
Other unallocated liabilities					75,814
Total liabilities					962,189

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

- all assets, other than investment properties, investment in associates, deposits paid for acquisition of subsidiaries, deposits paid for formation of an associate and financial assets at FVTPL and assets of the investment holding companies, are allocated to reportable and operating segments; and

- all liabilities, other than bonds and liabilities of the investment holding companies, are allocated to reportable and operating segments.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

	Medical products and plastic toys business HK$'000	Garments trading and sourcing HK$'000	Securities brokerage business and asset management services HK$'000	Money lending business and other financial services HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2020						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	**422**	**–**	**–**	**–**	**–**	**422**
Depreciation of property, plant and equipment	**3,711**	**76**	**278**	**269**	**–**	**4,334**
Depreciation of right-of-use assets	**394**	**325**	**4,701**	**–**	**–**	**5,420**
Reversal of allowance for inventories	**(1,060)**	**–**	**–**	**–**	**–**	**(1,060)**
Impairment loss (reversed)/ recognised on financial assets at amortised cost, net	**(1,194)**	**(2,968)**	**17,897**	**19,511**	**22,259**	**55,505**
Impairment loss on goodwill	**–**	**–**	**–**	**1,900**	**–**	**1,900**

	Medical products and plastic toys business HK$'000	Garments trading and sourcing HK$'000	Securities brokerage business and asset management services HK$'000	Money lending business and other financial services HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2019						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	150	–	–	–	–	150
Depreciation of property, plant and equipment	3,696	38	476	278	–	4,488
Depreciation of right-of-use assets	399	–	3,918	–	–	4,317
Provision of allowance for inventories	1,614	–	–	–	–	1,614
Impairment loss recognised/ (reversed) on financial assets at amortised cost, net	840	(2,579)	34,709	45,701	15,269	93,940
Impairment loss on goodwill	–	30,000	–	3,415	–	33,415

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are principally located in the People's Republic of China (the "PRC") and Hong Kong.

Information about the Group's revenue from external customers is presented based on the locations of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**149,787**	179,051	**51,940**	70,668
Europe*	**35,278**	39,892	**–**	–
The United States of America	**6,506**	8,446	**–**	–
The PRC (excluding Hong Kong)	**5,729**	8,724	**56,972**	43,766
Australia	**1,105**	1,723	**–**	–
South America	**56**	296	**–**	–
Others*	**10,422**	9,460	**–**	18
	208,883	247,592	**108,912**	114,452

* No further analysis by countries in these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

Note: Non-current assets excluded investment in associates, financial assets at FVTPL, deposits paid for acquisition of subsidiaries, deposits paid for formation of an associate, statutory deposits placed with clearing house and deferred tax assets.

Information about major customers

The Group's revenue from external customers is mainly derived from the PRC and Hong Kong. For the years ended 31 December 2020 and 2019, there was no single customer which amounted for more than 10% of total revenue.

6. OTHER INCOME

	2020 *HK$'000*	2019 *HK$'000*
Bank interest income	**121**	185
Rental income	**3,310**	3,085
Other commission income	**860**	860
Government grants	**1,040**	–
Others	**2,245**	5,739
	7,576	9,869

7. OTHER GAINS AND LOSSES, NET/IMPAIRMENT LOSS RECOGNISED ON FINANCIAL ASSETS AT AMORTISED COST, NET

(a) Other gains and losses, net

	2020 *HK$'000*	2019 *HK$'000*
Fair value changes of:		
– investment properties	**(11,338)**	1,800
– financial assets at FVTPL	**12,015**	(9,163)
Impairment loss on goodwill	**(1,900)**	(33,415)
Loss on disposal of property, plant and equipment	**(8)**	(3)
Gains on derecognition of financial assets	**951**	–
	(280)	(40,781)

(b) Impairment loss recognised on financial assets at amortised cost, net

	2020 *HK$'000*	2019 *HK$'000*
Impairment loss reversed/(recognised) on trade receivables arising from:		
– medical products and plastic toys business and trading of garments	**4,162**	1,739
– securities brokerage business	**(17,897)**	(34,706)
Impairment loss recognised on finance lease receivables	**(2,766)**	(3,729)
Impairment loss recognised on loan receivables	**(16,745)**	(41,971)
Impairment loss recognised on other receivables	**(22,259)**	(15,273)
	(55,505)	(93,940)

8. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interests on		
– Bank overdrafts and loans	**3,237**	2,683
– Bonds	**60,125**	61,094
– Lease liabilities	**484**	560
	63,846	64,337

9. INCOME TAX CREDIT

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	60
The PRC Enterprise Income Tax ("EIT")	**533**	721
	533	781
Over-provision in prior years:		
Hong Kong Profits Tax	**(5,989)**	(1,397)
	(5,456)	(616)
Deferred taxation:		
Current year	**(3,300)**	(8,537)
	(8,756)	(9,153)

9. INCOME TAX CREDIT *(continued)*

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

Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Corporate Income Tax in Taiwan is charged at 17% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

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

	2020	2019
	HK$'000	*HK$'000*
Loss before taxation	**(22,739)**	(95,371)
Tax credit at Hong Kong Profits Tax rate of 16.5%	**(3,752)**	(15,736)
Tax effect of share of profit of an associate	**(27)**	–
Tax effect of expenses not deductible for tax purposes	**5,571**	8,586
Tax effect of income not taxable for tax purposes	**(3,381)**	(4,068)
Tax effect of temporary differences not recognised	**2,349**	–
Tax effect of tax losses not recognised	**6,345**	3,559
Tax effect of tax losses utilised	**(9,832)**	–
Over-provision in prior years	**(5,989)**	(1,397)
Effect of different tax rates of subsidiaries operate in other jurisdictions	**(40)**	(97)
Income tax credit expense	**(8,756)**	(9,153)

Details of movements in deferred taxation are set out in note 30.

10. LOSS FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging/(crediting):		
Salaries, allowances and bonuses, including those of directors	**27,297**	32,740
Contributions to retirement benefit schemes, including those of directors	**634**	1,240
Total employee benefits expense, including those of directors	**27,931**	33,980
Auditor's remuneration	**710**	1,080
Cost of inventories recognised as an expense	**47,028**	78,889
Depreciation of property, plant and equipment	**4,334**	4,488
Depreciation of right-of-use assets	**5,420**	4,317
(Reversal)/provision of allowance for inventories	**(1,060)**	1,614
Exchange differences, net	**(1,461)**	(463)

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors are as follows:

2020

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Contribution to retirement benefits scheme *HK$'000*	Total emoluments *HK$'000*
Executive directors				
Chen Chun Chieh	–	1,284	39	1,323
Leung Kam Por Ken *(note a)*	–	240	12	252
Ho Kuan Lai	–	960	–	960
Independent non-executive directors				
Lam Williamson	144	–	–	144
Yu Tat Chi Michael	216	–	–	216
Yang Haihui	120	–	–	120
Total	480	2,484	51	3,015

11. DIRECTORS' EMOLUMENTS *(continued)*

2019

	Fees HK$'000	Salaries and allowances HK$'000	Contribution to retirement benefits scheme HK$'000	Total emoluments HK$'000
Executive directors				
Chen Chun Chieh	–	1,281	39	1,320
Leung Kam Por Ken *(note a)*	–	210	21	231
Lai Kin Chung, Kenneth *(note b)*	–	64	3	67
Ho Kuan Lai	–	960	–	960
Independent non-executive directors				
Lam Williamson	144	–	–	144
Yu Tat Chi Michael	216	–	–	216
Yang Haihui	120	–	–	120
Total	480	2,515	63	3,058

Notes:

a. Mr. Leung Kam Por Ken was appointed as an executive director on 28 January 2019.

b. Mr. Lai Kin Chung, Kenneth resigned as executive director on 28 January 2019.

11. DIRECTORS' EMOLUMENTS *(continued)*

Notes: (continued)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive Directors' emoluments shown above were mainly for their services as directors of the Company.

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company has waived any remuneration during the years ended 31 December 2020 and 2019.

12. EMPLOYEES' EMOLUMENTS

Among the five individuals with the highest emoluments in the Group for the year ended 31 December 2020, two (2019: two) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2019: three) individuals are as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries and other benefits	**2,391**	2,668
Contribution to retirement benefits scheme	**54**	34
	2,445	2,702

Their emoluments were within the following bands:

	2020	2019
Below HK$1,000,001	**3**	3

13. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: nil).

14. LOSS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company, for the purpose of basic and diluted loss per share	**(13,785)**	(86,170)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,303,224,137**	2,303,224,137

The computation of diluted loss per share for the years ended 31 December 2020 and 2019 does not assume the exercise of the Company's share option as the exercise would result in an decrease in loss per share for the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvement	Plant & machinery	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION						
At 1 January 2019	27,709	4,249	21,887	4,129	2,520	60,494
Exchange realignment	(699)	(25)	(479)	(36)	(7)	(1,246)
Additions	–	–	134	16	–	150
Disposals	–	–	(29)	–	–	(29)
Adjustment on valuation	1,679	–	–	–	–	1,679
At 31 December 2019 and at 1 January 2020	28,689	4,224	21,513	4,109	2,513	61,048
Exchange realignment	1,848	71	1,382	155	32	3,488
Additions	–	–	394	28	–	422
Disposal	–	–	(784)	(324)	–	(1,108)
Adjustment on valuation	(1,069)	–	–	–	–	(1,069)
Transfer to investment properties *(note 17)*	(5,822)	–	–	–	–	(5,822)
At 31 December 2020	23,646	4,295	22,505	3,968	2,545	56,959
DEPRECIATION AND IMPAIRMENT						
At 1 January 2019	–	3,542	19,924	2,705	1,139	27,310
Exchange realignment	(610)	(17)	(445)	(24)	(7)	(1,103)
Provided for the year	2,612	374	495	606	401	4,488
Disposals	–	–	(26)	–	–	(26)
Adjustment on valuation	(2,002)	–	–	–	–	(2,002)
At 31 December 2019 and at 1 January 2020	–	3,899	19,948	3,287	1,533	28,667
Exchange realignment	173	60	1,297	134	29	1,693
Provided for the year	2,989	181	221	512	431	4,334
Disposals	–	–	(776)	(324)	–	(1,100)
Adjustment on valuation	(3,162)	–	–	–	–	(3,162)
At 31 December 2020	–	4,140	20,690	3,609	1,993	30,432
CARRYING AMOUNT						
At 31 December 2020	23,646	155	1,815	359	552	26,527
At 31 December 2019	28,689	325	1,565	822	980	32,381

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

Buildings	2% or the remaining period of the leases, if shorter
Leasehold improvements	10-20% or the remaining period of the leases, if shorter
Plant and machinery	10-20%
Furniture, fixtures and equipment	20-33$^1/_3$%
Motor vehicles	20-50%

The Group revalued its buildings at 31 December 2020 and 31 December 2019. The revaluation gain for the year ended 31 December 2020 amounting to HK$2,093,000 which were debited directly to the property revaluation reserve (2019: revaluation gain of HK$3,681,000).

At 31 December 2020, the buildings in the PRC amounting to HK$23,646,000 (2019: HK$28,689,000) were valued under depreciated replacement costs approach.

Fair value measurement of the Group's buildings

The fair values of the Group's land and buildings were revalued at 31 December 2020 and 2019 by independent property valuers not connected to the Group.

The fair values of the remaining buildings in the PRC were determined by using the depreciated replacement cost approach that reflects the cost to a market participant to construct asset of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

In estimating of the fair values of properties, the highest and the best use of the properties is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's land and buildings were categorised into Level 3.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value measurement of the Group's buildings *(continued)*

Reconciliation of Level 3 fair value measurements

	Buildings
	HK$'000
At 1 January 2019	27,709
Exchange realignment	(89)
Depreciation	(2,612)
Revaluation	3,681
At 31 December 2019 and at 1 January 2020	28,689
Exchange realignment	1,675
Depreciation	(2,989)
Revaluation	2,093
Transfer to investment properties	(5,822)
At 31 December 2020	23,646

The following table shows the valuation techniques used in the determination of fair values for buildings and unobservable inputs used in the valuation models.

Description	**Fair value as at 31 December 2020** *HK$'000*	Fair value as at 31 December 2019 *HK$'000*	**Valuation techniques**	**Unobservable inputs**	**Relationship of unobservable inputs of fair value**
Properties located in the PRC					
Industrial office units	**23,646**	28,689	Depreciated replacement cost approach	Adjusted building construction cost after taking into account the difference in individual factor	An increase in the building construction cost would result in the increase in the comparable fair value and vice versa.

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at approximately HK$3,166,000 (2019: approximately HK$3,885,000).

16. RIGHT-OF-USE ASSETS

	Land use rights *HK$'000*	Leasehold building *HK$'000*	Total *HK$'000*
Cost:			
At 1 January 2019	13,319	–	13,319
Addition	–	14,753	14,753
At 31 December 2019 and 1 January 2020	13,319	14,753	28,072
Transfer to investment properties *(note 17)*	(1,539)	–	(1,539)
Exchange realignment	769	–	769
At 31 December 2020	12,549	14,753	27,302
Accumulated depreciation:			
At 1 January 2019	–	–	–
Charge for the year	399	3,918	4,317
Exchange realignment	284	–	284
At 31 December 2019 and 1 January 2020	683	3,918	4,601
Charge for the year	394	5,026	5,420
Transfer to investment properties *(note 17)*	(79)	–	(79)
Exchange realignment	62	–	62
At 31 December 2020	1,060	8,944	10,004
Carrying amount:			
At 31 December 2020	11,489	5,809	17,298
At 31 December 2019	12,636	10,835	23,471

Notes:

Land use rights represents lump sum considerations paid by the Group to acquire leasehold lands located in the PRC. These leasehold lands are with lease periods of 50 years and there are no ongoing payments to be made under the terms of the land leases.

17. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2019	54,900
Changes in fair value recognised in profit or loss	1,800
At 31 December 2019 and 1 January 2020	56,700
Transfer from property, plant and equipment and right-of-use assets	19,639
Changes in fair value recognised in profit or loss	(11,338)
Exchange realignment	86
At 31 December 2020	65,087

All of the Group's property interests held under operating lease to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the year, property, plant and equipment and right-of-use assets of HK$5,822,000 and HK$1,460,000, respectively were transferred to investment properties due to change of the uses from owner-occupation to earning rentals. The fair value of the properties at the date of transfer was HK$19,639,000. Gains on property revaluation and deferred tax charges of HK$12,357,000 and HK$3,088,000 respectively were recognised in other comprehensive income.

The fair values of the Group's investment properties at 31 December 2020 and 2019 have been arrived at on the basis of a valuation carried out on the respective dates by independent qualified professional valuers not connected to the Group.

The fair values of residential unit and residential parking space and commercial office unit located in Hong Kong and industrial office units located in PRC were determined based on direct comparison approach by reference to the market transaction prices of similar properties in the neighbourhood, and adjusted based on the nature, location and condition of the property.

In estimating of the fair value of properties, the highest and the best use of the properties is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's investment properties were categorised into Level 3.

17. INVESTMENT PROPERTIES *(continued)*

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December 2020 HK$'000	Fair value as at 31 December 2019 HK$'000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Property located in Hong Kong					
Commercial office unit	**7,000**	7,500	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square meter used would result in an increase in the fair value and vice versa.
Residential unit and residential car parking space	**38,600**	49,200	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square meter used would result in an increase in the fair value and vice versa.
Property located in the PRC					
Industrial office units	**19,487**	–	Depreciated replacement cost approach	Adjusted building construction cost after taking into account the difference in individual factor	An increase in the building construction cost would result in the increase in the comparable fair value and vice versa.

18. GOODWILL

	HK$'000
COST	
At 1 January 2019, at 31 December 2019 and at 31 December 2020	48,233
IMPAIRMENT	
At 1 January 2019	12,918
Charge for the year	33,415
At 31 December 2019 and 1 January 2020	46,333
Charge for the year	1,900
At 31 December 2020	48,233
CARRYING AMOUNTS	
At 31 December 2020	–
At 31 December 2019	1,900

For the purposes of impairment testing, goodwill has been allocated to two individual cash generating units (CGUs), comprising one subsidiary engaged in money lending business and other financial services and one subsidiary engaged in trading of garments. The carrying amounts of goodwill allocated to these units are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Money lending business and other financial services	**–**	1,900
Trading of garments	**–**	–
	–	1,900

18. GOODWILL *(continued)*

Note:

The basis of the recoverable amounts of the CGUs from money lending business and other financial service and trading of garments containing goodwill and the major underlying assumptions are summarised below:

At 31 December 2020, the recoverable amount of CGU from money lending business and other financial service has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15.0% (2019: 12.9%). The cash flows beyond the 5-year period are extrapolated growth rate of 3% (2019: 3%). Cash flow projection during the 5-year budget period is based on the budgeted commission and the inflation on cost of sales and expenses during the projection period. Expected cash inflows/outflows, which include budgeted commission have been determined based on past performance and management's expectations for the market development. As a result of the impairment review, an impairment loss on goodwill of HK$1,900,000 (2019: 3,415,000) was recognised in profit or loss during the year ended 31 December 2020.

At December 2019, the recoverable amount of CGU from money lending business and other financial service has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 12.9%. The cash flows beyond the 5-year period are extrapolated growth rate of 3%. Cash flow projection during the 5-year budget period is based on the budgeted commission and the inflation on cost of sales and expenses during the projection period. Expected cash inflows/outflows, which include budgeted commission have been determined based on past performance and management's expectations for the market development. Full impairment was provided during the year ended 31 December 2019.

19. INVESTMENT IN ASSOCIATES

	2020 ***HK$'000***	2019 *HK$'000*
Cost of unlisted investments	**17,165**	16,000
Share of post-acquisition results	**(15,658)**	(15,833)
	1,507	167
Loan to an associate *(note a)*	**8,317**	–
	9,824	167

(a) Loan to an associate is unsecured, non-interest bearing and have no fixed terms of repayment. This is regarded as capital contribution to the associate.

19. INVESTMENT IN ASSOCIATES *(continued)*

Details of the Group's associates as at 31 December 2020 and 2019 are as follows:

Name of associate	Form of business structure	Place of incorporation	Issued and fully paid share capital/registered capital 2020	2019	Effective interest in the issued share capital 2020	2019	Principal activity
Fullsino Management Limited ("Fullsino")	Incorporated	Hong Kong	**HK$40,000,000**	HK$40,000,000	**40%**	40%	Provision of beauty and wellness services
上海勤瑞益安物業管理有限公司("上海勤瑞")	Incorporated	PRC	**RMB980,000**	–	**49%**	–	Investment holding
上海坎菲德企業管理合夥企業(有限合夥)	Incorporated	PRC	**RMB2,000,000**	–	**24.9%**	–	Investment holding

Summarised financial information of 上海勤瑞 is set out below:

	2020 *HK$'000*
Total assets	**20,881**
Total liabilities	**13,598**
Net assets	**7,283**
Revenue	**574**
Profit for the year and total comprehensive income	**338**
Group's share of profit of the associate for the year	**166**

19. INVESTMENT IN ASSOCIATES *(continued)*

Reconciliation of the above summarised financial information of 上海勤瑞 to the carrying amount of the interest in an associate recognised in these consolidated financial statements:

	2020 ***HK$'000***
Net assets of 上海勤瑞	**7,283**
Non-controlling interests of 上海勤瑞's subsidiaries	**(4,550)**
	2,733
Proportion of the Group's ownership interest in 上海勤瑞	**49%**
Proportion of the Group's interest in 上海勤瑞	**1,340**
Loan to 上海勤瑞	**8,317**
Carrying amount of the Group's interest in 上海勤瑞	**9,657**

20. DEPOSITS PAID FOR FORMATION OF AN ASSOCIATE

On 29 December 2016, an indirect wholly-owned subsidiary of the Company, Black Marble Securities Limited ("Black Marble"), entered into an agreement (the "Agreement") with various independent third parties to set up an unlisted company, Guangdong Silk Road Securities Co., Ltd* ("廣東絲路証券股份有限公司") ("Guangdong Silk") in the PRC. Pursuant to the agreement, the Company will subscribe 19% of the share capital of the associate, and is entitled to nominate a director to the board.

On 16 January 2020, Black Marble entered into an agreement with various independent third parties to terminate the setting up of Guangdong Silk with the deposit previously paid shall be refunded to the Group. The deposits were refunded after deducting certain incurred expenses for setting up the associate during the year.

* *For identification purpose only*

21. INVENTORIES

	2020 ***HK$'000***	2019 *HK$'000*
Raw materials	**8,090**	6,822
Work in progress	**1,230**	1,007
Finished goods	**4,487**	5,892
	13,807	13,721

During the year, a reversal of allowance of HK$1,060,000 (2019: an provision of allowance of HK$1,614,000) was recognised in cost of sales for obsolete and slow-moving inventory items identified.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020	2019
	HK$'000	*HK$'000*
Trade receivables arising from:		
Medical products and plastic toys business and garments trading and sourcing *(Note a)*	**31,631**	29,420
Less: allowance for ECL	**(9,554)**	(13,993)
	22,077	15,427
Securities brokerage business *(Note b)*:		
– Cash clients	**–**	515
– Margin clients	**203,325**	193,338
– Clearing house	**–**	46
Less: allowance for ECL	**(86,534)**	(68,637)
	116,791	125,262
Total trade receivables	**138,868**	140,689
Purchase deposits, other receivables and deposits	**59,472**	74,136
Prepayments	**2,379**	2,642
Total trade and other receivables and prepayments	**200,719**	217,467

Notes:

(a) The Group allows an average credit period of 60 days to its trade customers from medical products and plastic toys business and garments trading and sourcing. The following is an aged analysis of trade receivables net of allowance for doubtful debts from medical products and plastic toys business and garments trading and sourcing presented based on the invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**6,034**	7,138
31 to 90 days	**3,883**	4,969
Over 90 days	**12,160**	3,320
	22,077	15,427

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

Details of impairment assessment are set out in note 35.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

Notes: (continued)

(b) The normal settlement terms of trade receivables from cash clients and securities clearing house are two days after trade date.

Trade receivables from margin clients, net of individually impaired receivables, amounting to HK$116,791,000 (2019: HK$124,701,000) as at 31 December 2020 are secured by clients' pledged securities with fair value of HK$65,902,000 (2019: HK$69,646,000). All of the pledged securities are listed equity securities in Hong Kong. The margin loans are repayable on demand subsequent to settlement date and carry interest at Hong Kong Prime rate plus margin that ranges from 8% to 15% (2019: ranges from 8% to 15%) per annum. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

Details of impairment assessment are set out in note 35.

The Group has concentration of credit risk as 76% (2019: 73%) of the total loans to margin clients was due from the Group's five largest margin clients. The whole amount is secured by clients' pledged securities with the fair value of HK$49,853,000 (2019: HK$51,061,000) as at 31 December 2020. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

In determining the allowances for impaired margin loans to margin clients, the management of the Group considers the margin shortfall by comparing the market value of stock portfolio and the outstanding balance of margin loan to securities margin clients individually. Impairments are made for those clients with margin shortfall as at year end and with no settlement after the year end.

In respect of trade receivables from cash clients at 31 December 2019, all of them are aged within 30 days (from settlement date) at the end of reporting period.

23. LOANS RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Loans receivables	**1,241,287**	1,202,356
Interest receivables	**241,733**	163,283
	1,483,020	1,365,639
Factoring loan receivables	**13,860**	15,960
	1,496,880	1,381,599
Loss allowance for ECL	**(99,400)**	(82,655)
	1,397,480	1,298,944
Analysed as:		
Secured	**284,700**	274,106
Unsecured	**1,112,780**	1,024,838
	1,397,480	1,298,944

The total amounts are repayable on demand or within one year from the end of the reporting period. Interest rate on the fixed rate loans receivables as at 31 December 2020 was ranged from 6% to 18% per annum (2019: from 6% to 12% per annum).

In determining the impairment of loans receivables from money lending business, the management considers the settlements subsequent to maturity of the relevant loans receivables and the estimated recoverable amount of the corresponding pledged assets of each borrower less cost to sell.

Included in loans receivables at 31 December 2019, amount of approximately HK$740,000 is due from Mr. Lai Kin Chung, Kenneth, who was an executive director of the Company and resigned on 28 January 2019. The amount is unsecured, bearing interest at 10% and repayable within one year. The maximum balance during the year of 2019 is HK$740,000 (2020: nil).

For the factoring loan receivables, the credit period granted to each of the customers is generally less than one year. The effective interest rate of the above factoring loan receivables is ranging from 10% to 15% per annum as at 31 December 2020 (2019: 10% to 15%).

In the event of default by customers, the Group might sell the collaterals, hence the management of the Group monitors the market value of collaterals to ensure the market values of collaterals at the end of reporting period are sufficient to cover the respective outstanding loan receivables from customers.

Detail of impairment assessment are set out in note 35.

24. FINANCE LEASE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Finance lease receivables	**8,066**	10,845
Loss allowance for ECL	**(8,066)**	(4,829)
	–	6,016
Analysed as:		
– Current	**–**	6,016
– Non-current	**–**	–
	–	6,016

Details of leasing arrangements

The Group has entered into finance lease arrangements to lease out certain of its production machinery and equipment with the remaining lease terms of 1 year. At the end of the lease term of these finance leases, the lessee has the option to buy the machinery and equipment at nominal consideration. None of the lease contains contingent rentals. The contractual interest rates in the lease arrangements are fixed rate 7% per annum (2019: 7%).

24. FINANCE LEASE RECEIVABLES *(continued)*

Details of leasing arrangements *(continued)*

Amount receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**8,066**	10,947	**8,066**	10,845
Later than one year and no later than five years	**–**	–	**–**	–
Later than five years	**–**	–	**–**	–
	8,066	10,947	**8,066**	10,845
Less: unearned finance income	**–**	(102)	**N/A**	N/A
Present value of minimum lease payments receivables	**8,066**	10,845	**8,066**	10,845

Details of impairment assessment are set out in note 35.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	**63,047**	38,166
– Debt securities traded in Hong Kong	**–**	6,000
	63,047	44,166
Unlisted equity fund	**25,557**	10,451
Unlisted debt securities	**16,830**	–
	105,434	54,617
Analysed for reporting purpose as:		
Current assets	**79,877**	44,166
Non-current assets	**25,557**	10,451
	105,434	54,617

The Group has recorded a gain on fair value changes of financial assets at FVTPL for the year ended 31 December 2020 of approximately HK$12.0 million (2019: a loss of approximately HK$9.2 million).

The fair value of measurement of the Group's held-for-trading investments and unlisted securities are set out in note 35.

26. BANK BALANCES AND CASH

Bank balances-trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has also recognised the corresponding trade payables to respective clients and other respective clients and other institutions (note 27). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amount comprises balances and cash held by the Group and short term bank deposits with original maturity within 3 months. At 31 December 2020, bank balances and short term bank deposits carried interest at market rates ranging from 0.01% to 3% (2019: 0.01% to 3%) per annum.

27. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 *HK$'000*	2019 *HK$'000*
Trade payables arising from:		
Medical products and plastic toys business and garments trading and sourcing	**21,755**	22,160
Securities brokerage business		
– Cash clients	**6,289**	10,127
– Margin clients	**18,965**	19,652
– Clearing house	**997**	525
Total trade payables	**48,006**	52,464
Accrued expenses	**10,253**	12,477
Other payables	**84,564**	51,530
	142,823	116,471

The following is an aged analysis of trade payables from medical products and plastic toys business and trading of garments presented based on the invoice date at the end of the reporting period:

	2020 *HK$'000*	2019 *HK$'000*
Within 30 days	**7,617**	13,258
31 to 90 days	**1,442**	3,211
Over 90 days	**12,696**	5,691
	21,755	22,160

The average credit period on purchases of goods from medical products and plastic toys business and garments trading and sourcing is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The settlement terms of trade payable arising from the securities brokerage business are two days after trade date or at specific terms agreed with clearing house. Trade payables to cash and margin clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

As at 31 December 2020, the trade payables amounting to HK$26,536,000 (2019: HK$56,968,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

28. BORROWINGS AND BONDS

	2020	2019
	HK$'000	*HK$'000*
Bank overdrafts	**5,006**	4,801
Bank loans	**3,010**	3,200
Term loan	**28,000**	28,000
	36,016	36,001
Bonds	**780,954**	767,677
	816,970	803,678
Analysed as:		
Secured	**36,016**	36,001
Unsecured	**780,954**	767,677
	816,970	803,678
Carrying amount repayable for borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:*		
Within one year	**33,214**	33,004
More than one year but not more than two years	**213**	208
More than two years but not more than five years	**669**	654
More than five years	**1,920**	2,135
	36,016	36,001

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Movement of bank and term loans is as follows:

	2020	2019
	HK$'000	*HK$'000*
As at 1 January	**31,200**	23,397
New borrowings raised	**28,000**	28,000
Repayment of the principal	**(28,190)**	(20,197)
As at 31 December	**31,010**	31,200

28. BORROWINGS AND BONDS *(continued)*

The carrying amounts of bonds are repayable as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	–	–
More than one year but not more than two years	–	–
More than two years but not more than five years	718,354	283,393
More than five years	62,600	484,284
	780,954	767,677
Less: Amounts due within one year shown under current liabilities	–	–
Amounts shown under non-current liabilities	780,954	767,677

Movement of the bonds is as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 January	767,677	798,902
Proceeds from the bond issue (cash flow)	3,000	–
Accrued interests	60,125	61,094
Interest paid (cash flow)	(24,708)	(44,324)
Interest payable (included in other payable)	(25,140)	(7,032)
Repayments (cash flow)	–	(40,963)
At 31 December	780,954	767,677

As at 31 December 2020, the Group had aggregate outstanding borrowings comprising (i) bank borrowings of HK$1,347,000 (2019: HK$1,483,000) and bank overdrafts of HK$1,991,000 (2019: HK$1,809,000) secured by a property of the Group and guaranteed by a director of a subsidiary of the Group, (ii) bank borrowing of HK$1,663,000 (2019: HK$1,716,000) and bank overdrafts of HK$3,012,000 (2019: HK$2,992,000) secured by properties owned by and guaranteed by a director of a subsidiary of the Group, and (iii) term loan of HK$28,000,000 (2019: HK$28,000,000) secured by the investment properties of the Group.

The Group's bank loans were at variable-rate interest ranged from Hong Kong prime rate plus 1% (2019: Hong Kong prime rate plus 1%) per annum.

28. BORROWINGS AND BONDS *(continued)*

The Group's term loans is at fixed-rate interest at 10% and 15.6% (2019: same) per annum.

During the year ended 31 December 2020, the Group issued bonds with an aggregate principal amount of HK$3,000,000 (2019: nil). The bonds are unsecured with maturity date falling on the eighth anniversary of the issue date, respectively. The interest rate of the bonds is fixed at 6% per annum, respectively, and the interest is paid annually.

29. LEASE LIABILITIES

The exposure of the Group's lease liabilities are as follows:

	2020	2019
	HK$'000	*HK$'000*
Current	**5,377**	5,184
Non-current	**422**	5,649
	5,799	10,833

	Minimum lease payment		Present value of lease payment	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Minimum lease payment due:				
– Within one year	**5,570**	5,659	**5,377**	5,184
– More than one year but not more than two years	**424**	5,836	**422**	5,649
	5,994	11,495	**5,799**	10,833
Future finance charges	**(195)**	(662)		
Present value of lease liabilities	**5,799**	10,833		
Present value of lease liabilities				
Amounts due for settlement within one year (shown under current liabilities)			**(5,377)**	(5,184)
Amounts due for settlement after one year			**422**	5,649

The Group leases office premises and motor vehicles for operation and these lease liabilities were measured at the present value of the lease payment that are not yet paid. All leases are entered at fixed prices.

30. DEFERRED TAX (ASSETS)/LIABILITIES

The followings are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

	Difference between accounting and tax depreciation	Revaluation of properties	Loss allowance for ECL	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	(688)	11,521	(6,713)	4,120
Credit to profit or loss	(229)	106	(8,414)	(8,537)
Charge to other comprehensive income	–	920	–	920
Exchange realignment	–	–	27	27
At 31 December 2019 and at 1 January 2020	(917)	12,547	(15,100)	(3,470)
Credit to profit or loss	–	–	(3,300)	(3,300)
Charge to other comprehensive income	–	3,009	–	3,009
Exchange realignment	–	–	–	–
At 31 December 2020	(917)	15,556	(18,400)	(3,761)

30. DEFERRED TAX (ASSETS)/LIABILITIES *(continued)*

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements as there is no temporary differences attributable to accumulated profits of the PRC subsidiaries as well as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2020, the Group had unused tax losses of HK$202,437,000 (2019: HK$223,426,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$2,299,000 (2019: HK$2,306,000) that will expire within 5 years. Other losses may be carried forward indefinitely.

31. SHARE CAPITAL

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.5 each	**5,000,000**	5,000,000
Issued and fully paid:		
767,741,379 ordinary shares of HK$0.5 each	**383,871**	383,871
Issued and partially paid:		
1,535,482,758 ordinary shares of HK$0.5 each	**307,097**	307,097
2,303,224,137 ordinary shares of HK$0.5 each	**690,968**	690,968

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Lease liabilities	Bonds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	28,418	278	798,902	827,598
New lease entered	–	14,753	–	14,753
Changes from financing cash flows	7,803	(4,198)	(40,963)	(37,358)
Interest expenses	2,683	560	61,094	64,337
Interest paid classified as operating cash flows	(2,683)	(560)	(44,324)	(47,567)
Interest payable (included in other payables)	–	–	(7,032)	(7,032)
Changes in bank overdrafts	(220)	–	–	(220)
A 31 December 2019 and 1 January 2020	36,001	10,833	767,677	814,511
Changes from financing cash flows	(190)	(5,034)	3,000	(2,224)
Interest expenses	3,237	484	60,125	63,846
Interest paid classified as operating cash flows	(3,237)	(484)	(24,708)	(28,429)
Interest payable (included in other payables)	–	–	(25,140)	(25,140)
Changes in bank overdrafts	205	–	–	205
At 31 December 2020	36,016	5,799	780,954	822,769

33. SHARE OPTIONS

2012 Scheme

The Company adopted a share option scheme (the "2012 Scheme"), which was approved in the Company's annual general meeting on 28 May 2012 with the view to motivate the eligible participants.

According to the 2012 Scheme, the board of directors of the Company may offer to grant an option to any full-time employees, executives or officers, directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contributed to the Group. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

In general, the maximum number of shares in respect of which options may be granted under the 2012 Scheme and under any other share option scheme of the Company must not exceed 10% of the total number of shares in issue, excluding for this purpose shares which would have been issuable pursuant to option which have lapsed in accordance with the terms of the 2012 Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2012 Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant without prior approvals of the shareholders. Share options granted to connected persons in excess of 0.1% of the shares in issue or having a value in excess of HK$5 million must be approved in advance by the Company's shareholders in general meeting.

The directors may in its absolute discretion determine the period during which an option may be exercised, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2012 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors, the 2012 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2012 Scheme. The exercise price shall be determined by the board of directors and must not be less than the highest of (i) the official closing price of the Company's shares on the date of grant, (ii) the average of the official closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share.

No share option was outstanding as at 31 December 2020 and 2019.

34. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that its subsidiaries will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remain unchanged from prior year.

The capital structure of the Group consists of net debt which includes borrowings and bonds disclosed in note 28, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, special reserve, property revaluation reserve, translation reserve, share option reserve, capital redemption reserve and accumulated profits, as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure annually. As part of this review, the directors of the Company assess the annual budget prepared by management of the Company. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through new share issues, as well as issue of new debts and repayment of existing debts.

A subsidiary of the Company is regulated by the Hong Kong Securities and Futures Commission ("SFC") and is required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Group's regulated entity is subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020	2019
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss (FVTPL)		
– Held-for-trading	**63,047**	44,166
– Others	**42,387**	10,451
Amortised cost	**1,852,810**	1,852,330
Financial liabilities		
Amortised cost	**959,793**	920,149

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to equity instruments at FVTPL, financial assets at FVTPL, statutory deposit placed with clearing house, trade and other receivables, loan receivables, bank balances and cash, trade and other payables, borrowings and bonds. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivables and trade receivable arising from margin clients is mitigated because they are secured over properties or listed equity securities.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers

The Group has concentration of credit risk as 19% (2019: 14%) and 58% (2019: 48%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the medical products and plastic toys business and trading of garment and securities brokerage business. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for trade receivables arising from cash and margin client, which are assessed for impairment individually, the remaining trade receivables is grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Reversal of HK$4,162,000 (2019: HK$1,739,000) is recognised for medical products and plastic toy business and trading of garments during the year and provision of HK$17,897,000 (2019: HK$37,706,000) is recognised for securities brokerage business during the year. Details of the quantitative disclosures are set out below in this note.

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Loan receivables

The directors of the Company estimate the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the customers to the loan receivables. Based on assessment by the directors of the Company, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals and the amount of impairment made.

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL	12m 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	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – 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	Amount is written off

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

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

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount HK$'000	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Financial assets at amortised cost								
Loan receivables	23	N/A	Low risk	12m ECL	**1,171,757**		1,131,979	
			Doubtful	Lifetime ECL (not credit-impaired)	**281,203**		102,816	
			Loss	Credit-impaired	**43,920**	**1,496,880**	146,804	1,381,599
Bank balances	26	WR-Aal	N/A	12m ECL	**256,785**	**256,785**	332,340	332,340
Trade receivable arising from medical products and plastic toys business and trading of garments	22	N/A	Note 1	Lifetime ECL (provision matrix)	**31,631**	**31,631**	29,420	29,420
Trade receivable arising from securities brokerage business	22	N/A	Low risk	12m ECL	**11,896**		41,967	
			Doubtful	Lifetime ECL (not credit-impaired)	**80,311**		19,742	
			Loss	Credit-impaired	**111,118**	**203,325**	132,190	193,899
Finance lease receivable	24	N/A	Low risk	12m ECL	**–**		759	
			Loss	Credit-impaired	**8,066**	**8,066**	10,086	10,845
Purchase deposits, other receivables and deposits	22	N/A	Low risk	12m ECL	**22,685**		67,436	
			Loss	Credit-impaired	**67,496**	**90,181**	21,973	89,409

Note 1: For trade receivables arising from medical products and plastic toys business and trading of garments, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix.

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its medical products and plastic toys business and garments trading and sourcing operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

	2020		2019	
	Average loss rate	**Trade receivables** *HK$'000*	Average loss rate	Trade receivables *HK$'000*
Within 30 days	**22.04%**	**7,740**	2.51%	7,322
31 to 90 days	**31.01%**	**5,628**	5.46%	5,256
over 90 days	**33.42%**	**18,263**	80.29%	16,842
		31,631		29,420

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 December 2020, the Group provided HK$4,162,000 (2019: HK$1,739,000) reversal of impairment allowance for trade receivables arising from medical products and plastic toys business and garments trading and sourcing operation, based on the provision matrix.

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables arising from medical products and plastic toys business and garments trading and sourcing under the simplified approach.

	Lifetime ECL (not credit-impaired) *HK$'000*	Lifetime ECL (credit-impaired) *HK$'000*	Total *HK$'000*
As at 1 January 2019	**15,758**	**–**	**15,758**
Impairment losses reversed	**(1,739)**	**–**	**(1,739)**
Exchange adjustments	**(26)**	**–**	**(26)**
As at 31 December 2019 and 1 January 2020	**13,993**	**–**	**13,993**
Impairment losses reversed	**(4,162)**	**–**	**(4,162)**
Transfer to credit impaired	**(307)**	**307**	**–**
Write-offs	**–**	**(307)**	**(307)**
Exchange adjustments	**30**	**–**	**30**
As at 31 December 2020	**9,554**	**–**	**9,554**

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The following tables show reconciliation of loss allowances that has been recognised for finance lease receivables, loan receivables and trade receivables arising from securities brokerage business.

Movement in the allowances for impairment for finance lease receivables is as follows:

	Lifetime ECL (credit-impaired) *HK$'000*
As at 1 January 2019	1,193
Transfer to credit-impaired	–
Impairment losses recognised	3,729
Exchange adjustments	(93)
As at 31 December 2019 and 1 January 2020	4,829
Impairment losses recognised	2,766
Exchange adjustments	471
As at 31 December 2020	8,066

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Movement in the allowances for impairment for loan receivables is as follows:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2019	2,560	–	38,124	40,684
Transfer to credit-impaired	(149)	–	149	–
Transfer to lifetime ECL	(259)	2,292	(2,033)	–
Transfer to 12m ECL	28,587	–	(28,587)	–
Impairment losses recognised	283	725	71,033	72,041
Impairment losses reversed	(27,802)	(1,739)	(529)	(30,070)
As at 31 December 2019 and 1 January 2020	3,220	1,278	78,157	82,655
Transfer to credit-impaired	(34)	–	34	–
Transfer to lifetime ECL	(487)	11,469	(10,982)	–
Transfer to 12m ECL	42,117	(189)	(41,928)	–
Impairment losses recognised	11,813	48,776	10,612	71,201
Impairment losses reversed	(40,823)	(6,403)	(7,230)	(54,456)
As at 31 December 2020	15,806	54,931	28,663	99,400

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Movement in the allowances for impairment for trade receivables arising from securities brokerage business is as follows:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2019	–	–	33,931	33,931
Transfer to 12m ECL	642	–	(642)	–
Impairment losses recognised	–	–	41,041	41,041
Impairment losses reversed	(641)	–	(5,694)	(6,335)
As at 31 December 2019 and 1 January 2020	1	–	68,636	68,637
Impairment losses recognised	–	6,732	21,382	28,114
Impairment losses reversed	(1)	(6,822)	(3,394)	(10,217)
As at 31 December 2020	–	(90)	86,624	86,534

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Movement in the allowances for impairment for other receivables is as follows:

	Lifetime ECL (credit-impaired) *HK$'000*
As at 1 January 2019	–
Impairment losses recognised	15,273
As at 31 December 2019 and 1 January 2020	15,273
Impairment losses recognised	22,259
Write-offs	(7,505)
Exchange adjustments	682
As at 31 December 2020	30,709

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk

(i) Currency risk

Foreign currency risk management

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of relevant group entities, including Renminbi (RMB), US dollar (US$) and Hong Kong dollar (HK$).

The functional currencies of the Group's principal subsidiaries are HK$, US$ and RMB. While most of the Group's operations are transacted in the functional currency of the respective group entities, the Group undertakes certain sales and purchase transactions denominated in US$ and HK$. Hence, exposures to exchange rate fluctuations arises. The Group currently does not formulate any hedging policies against its exposure to currency risk. The Group will manage its foreign currency risk by closely monitoring the movement of the foreign currency rate and buying foreign currency forward contracts if it considers the risk to be significant.

At the end of the reporting period, the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in currencies other than the functional currency of relevant group entity are as follow:

	2020	2019
	HK$'000	*HK$'000*
Monetary Assets		
RMB	**545**	525
US$	**30,268**	43,499
HK$	**910**	1,003
Monetary Liabilities		
HK$	**11**	8

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation of RMB, US$ and HK$.

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. No sensitivity analysis is presented for HKD against USD as HKD is pegged to USD. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates. A negative/(positive) number below indicates an increase/(a decrease) in loss before tax for the year where the functional currency of the relevant group entity strengthen 5% (2019: 5%) against the relevant foreign currency. For a 5% (2019: 5%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on loss before tax for the year.

	Monetary assets and liabilities	
	2020	2019
	HK$'000	*HK$'000*
RMB impact	**27**	26
US$ impact	**1,297**	1,880

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

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to cash and margin clients receivables (see note 22), variable-rate borrowings (see note 28) and bank balances (general accounts) (see note 26).

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and margin clients receivables, variable-rate borrowings and bank balances (general accounts) at the end of the reporting period. The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2020, if the interest rate had been 10 basis points (2019: 10 basis points) higher/lower and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK$339,000 (2019: HK$392,000).

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bonds and term loan (see note 28 for details of these bonds).

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. The Group's equity price risk is concentrated on equity instrument quoted on the Stock Exchange. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate at 20% is applied as a result of the volatile financial market.

If the price of the respective held-for-trading investments had been 20% (2019: 20%) lower, the Group's loss for the year would increase by HK$12,609,000 (2019: the Group's loss for the year would decrease by HK$8,833,000).

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

Liquidity risk

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

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed settlement dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	2-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amounts *HK$'000*
2020								
Non-derivative financial liabilities								
Trade and other payables	–	135,206	7,617	–	–	–	142,823	142,823
Variable rate – borrowings	5.82%	8,016	–	–	–	–	8,016	8,016
Fixed rate – term loan	11.00%	28,000	–	–	–	–	28,000	28,000
Lease liabilities	5.68%	453	907	4,210	424	–	5,994	5,799
Bonds	6.00%	–	–	50,412	937,316	62,001	1,049,729	780,954
		171,675	8,524	54,622	937,740	62,001	1,234,562	965,592

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	2-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amounts *HK$'000*
2019								
Non-derivative financial liabilities								
Trade and other payables	–	103,213	13,258	–	–	–	116,471	116,471
Variable rate – borrowings	5.82%	8,001	–	–	–	–	8,001	8,001
Fixed rate – term loan	11.00%	28,000	–	–	–	–	28,000	28,000
Lease liabilities	5.62%	459	917	4,126	5,993	–	11,495	10,833
Bonds	6.00%	–	–	49,812	498,424	538,208	1,086,444	767,677
		139,673	14,175	53,938	504,417	538,208	1,250,411	930,982

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Bank loans and a term loan with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2020 and 31 December 2019, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$36,016,000 and approximately HK$36,001,000, respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks and lender will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans and a term loan will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details at which are set out in below table:

	Weighted average interest rate	On demand or less than 1 month	31-90 days	91-365 days	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2020								
Non-derivative financial liabilities								
Variable rate – borrowings	5.82%	5,028	46	208	1,099	2,239	8,620	8,016
Fixed rate – term loan	11.00%	257	513	29,413	–	–	30,183	28,000
2019								
Non-derivative financial liabilities								
Variable rate – borrowings	5.82%	4,824	46	206	1,100	2,499	8,675	8,001
Fixed rate – term loan	11.00%	257	513	28,455	–	–	29,225	28,000

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair values of financial assets and financial liabilities measured other than fair value are determined in accordance with discounted cash flow analysis.

35. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Fair value measurement of financial assets and financial liabilities

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2020 ***HK$'000***	31 December 2019 *HK$'000*		
Listed equity investment held for trading	**63,047**	44,166	Level 1	Quoted bid prices in an active market
Unlisted securities				
Unlisted investment funds	**25,557**	10,451	Level 3	Adjusted net asset value
Unlisted debt securities	**16,830**	–	Level 3	Discounted cash flows with yield to maturity being the key input
	42,387	10,451		

There were no transfers between fair value hierarchy in the current year.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value	**Unlisted securities at FVTPL** *HK$'000*
At 1 January 2019	9,644
Changes in fair value	807
At 31 December 2019	10,451
Changes in fair value	467
Additions	32,469
Disposals	(1,000)
At 31 December 2020	42,387

Of the total gains for the period included in profit or loss, HK$467,000 (2019: HK$807,000) relates to the unlisted securities at FVTPL held at the end of the current reporting period. Fair value changes of the unlisted securities at FVTPL are included in 'other gains and losses, net'.

35. FINANCIAL INSTRUMENTS *(continued)*

(d) Financial asset and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that are either:

– offset in the Group's consolidated statement of financial position; or

– not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and the clearing house, the Group has a legal enforceable right to set off the money obligations receivable and payable with clearing house on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the trade receivables from and payables to securities brokerage business that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to the clearing house and trade receivables from and payables to securities brokerage business that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with clearing house do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

	Gross amounts of recognised as financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2020						
Financial assets						
Amounts due from clearing house and trade receivables from securities brokerage business	122,922	(6,131)	116,791	–	(65,902)	50,889
Statutory deposits placed with clearing house	205	–	205	(205)	–	–

35. FINANCIAL INSTRUMENTS *(continued)*

(d) Financial asset and financial liabilities offsetting *(continued)*

	Gross amount of recognised as financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2020						
Financial liabilities						
Amounts due to clearing house and trade payables from securities brokerage business	**32,382**	**(6,131)**	**26,251**	**–**	**–**	**26,251**

	Gross amounts of recognised as financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019						
Financial assets						
Amounts due from clearing house and trade receivables from securities brokerage business	125,469	(207)	125,262	–	(113,170)	12,092
Statutory deposits placed with clearing house	205	–	205	(205)	–	–

35. FINANCIAL INSTRUMENTS *(continued)*

(d) Financial asset and financial liabilities offsetting *(continued)*

	Gross amount of recognised as financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019						
Financial liabilities						
Amounts due to clearing house and trade payables from securities brokerage business	30,511	(207)	30,304	–	–	30,304

Note: The cash and financial collateral received/pledged as at 31 December 2020 and 2019 represent their fair values.

36. RELATED PARTY DISCLOSURES

During the year, the Group had transactions with the directors of the Company or its related parties. The transactions during the year, are as follows:

(a) Transaction with its related party:

Name of party	**Nature of transaction**	**2020** *HK$'000*	2019 *HK$'000*
Mr. Lai Kin Chung, Kenneth *(note)*	Interest income from a director	**–**	5

(b) Compensation of key management personnel

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

	2020 *HK$'000*	2019 *HK$'000*
Short-term employee benefits	**3,015**	3,058

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

Notes: Mr. Lai Kin Chung, Kenneth has resigned as an executive Director on 28 January 2019.

37. OPERATING LEASE COMMITMENTS AND ARRANGEMENTS

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next year.

Undiscounted lease payments receivable on leases are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**2,812**	3,065
In the second year	**–**	2,692
	2,812	5,757

38. COMMITMENT

At the end of both reporting periods, the Group had contracted for but not provided in the consolidated financial statements:

	2020 HK$'000	2019 HK$'000
Capital expenditure in respect of the formation of an investment	**–**	414,476

39. RETIREMENT BENEFITS SCHEME

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme.

The employees of the Company's subsidiaries in the PRC and Taiwan are members of the state-managed retirement benefit schemes and defined contribution plan operated by the PRC and Taiwan government, respectively. The PRC and Taiwan subsidiaries are required to contribute a certain percentage of payroll costs to the respective retirement benefit schemes and defined contribution plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes and defined contribution plan is to make the specified contributions.

The total cost of HK$634,000 (2019: HK$1,240,000) charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid or payable by the Group for the year.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2020 and 2019 are as follows:

	Notes	2020 HK$'000	2019 HK$'000
Non-current asset			
Investments in subsidiaries		**267,594**	304,971
Current assets			
Other receivables & prepayments		**721**	449
Amounts due from subsidiaries	*(a)*	**1,594,851**	2,038,414
Tax recoverable		**450**	–
Bank balances		**3,251**	7,315
		1,599,273	2,046,178
Current liabilities			
Other payables		**57,868**	31,848
Tax payable		**–**	1,456
Amounts due to subsidiaries	*(a)*	**506,664**	506,670
		564,532	539,974
Net current assets		**1,034,741**	1,506,204
Total assets less current liabilities		**1,302,335**	1,811,175
Capital and reserves			
Share capital		**690,968**	690,968
Reserves	*(b)*	**(169,587)**	352,530
Total equity		**521,381**	1,043,498
Non-current liability			
Bonds		**780,954**	767,677
		1,302,335	1,811,175

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) Amount(s) due from (to) subsidiaries

The amounts are unsecured, interest-free and repayable on demand.

(b) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	352,753	244,461	1,270	(237,985)	360,499
Loss for the year	–	–	–	(7,969)	(7,969)
At 31 December 2019	352,753	244,461	1,270	(245,954)	352,530
Loss for the year	–	–	–	(522,117)	(522,117)
At 31 December 2020	352,753	244,461	1,270	(768,071)	(169,587)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities *(note i)*
			Directly		Indirectly		
			2020 %	2019 %	**2020 %**	2019 %	
中山隆成啟航商貿有限公司	PRC	US$6,240,000 Registered Capital	**–**	–	**100**	100	Manufacturing and trading of medical products
Lerado H.K. Limited	HK	HK$5,000 Ordinary Share	**–**	–	**100**	100	Trading of medical products
BlackMarble Capital Limited	HK	HK$1 Ordinary Share	**–**	–	**100**	100	Money lending
Oriental Strategic Limited	BVI	US$50,000 Ordinary Share	**100**	100	**–**	–	Investment holding
Brilliant Summit Limited	HK	HK$10,000 Ordinary Share	**–**	–	**100**	100	Trading of garment accessories
Lerado Group Limited	BVI	HK$10,702 Ordinary Share	**100**	100	**–**	–	Investment holding
Wonder Time Holdings Limited	BVI	HK$1 Ordinary Share	**–**	–	**100**	100	Trading of held-for-trading investments
Shanghai Lerado Co. Ltd.	PRC	US$6,260,000 Registered Capital	**–**	–	**100**	100	Manufacturing and trading of nursery products

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly		Indirectly		Principal activities *(note i)*
			2020 **%**	2019 *%*	**2020** **%**	2019 *%*	
廣州凱潤企業管理服務有限公司	PRC	US$5,000,000 Registered Capital	**–**	–	**100**	100	Property holding
駿勝世紀科技(深圳)有限公司	PRC	RMB1,000,000 Registered Capital	**–**	–	**100**	100	Research and development for electric scooters, wheels
Black Marble Securities Limited	HK	HK$330,000,000 Ordinary Share	**–**	–	**100**	100	Securities brokerage, margin financing and underwriting and placements
Black Marble Global Investment Fund SPC *(note ii)*	Cayman Islands	N/A	**–**	–	**100**	100	Investment fund
Smart Success International Enterprises Limited	HK	HK$1 Ordinary Share	**–**	–	**100**	100	Investment holding
Lerado Finance Limited	HK	HK$1 Ordinary Share	**–**	–	**100**	100	Money lending
First Platform International Limited	BVI	HK$1 Ordinary Share	**100**	100	**–**	–	Investment holding
Genuine Oriental Wealth Management Limited	HK	HK$1 Ordinary Share	**–**	–	**80**	80	Insurance brokerage

Note:

(i) The principal activities of the subsidiaries are carried out in the place of incorporation/establishment.

(ii) The Group had consolidated a structured entity which includes asset management products. For the asset management products where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

Third-party interests in consolidated structured entities consist of third-party unit/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders. There is no third-party interests in the consolidated structured entities as at 31 December 2020.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Financial Summary

RESULTS

			Year ended 31 December		
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
REVENUE	221,811	224,221	246,313	247,592	**208,883**
LOSS BEFORE TAXATION	(225,280)	(611,959)	(64,151)	(95,371)	**(22,739)**
INCOME TAX (EXPENSE)/CREDIT	(21,177)	76,959	(3,509)	9,153	**8,756**
LOSS FOR THE YEAR	(246,457)	(535,000)	(67,660)	(86,218)	**(13,983)**
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	(246,457)	(534,962)	(68,090)	(86,170)	**(13,785)**
NON-CONTROLLING INTERESTS	–	(38)	430	(48)	**(198)**
	(246,457)	(535,000)	(67,660)	(86,218)	**(13,983)**

ASSETS AND LIABILITIES

			At 31 December		
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TOTAL ASSETS	2,496,189	2,292,224	2,196,739	2,070,372	**2,113,199**
TOTAL LIABILITIES	(671,390)	(995,186)	(1,002,212)	(962,189)	**(998,702)**
	1,824,799	1,297,038	1,194,527	1,108,183	**1,114,497**
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	1,824,799	1,296,838	1,193,897	1,107,601	**1,114,113**
NON-CONTROLLING INTERESTS	–	200	630	582	**384**
	1,824,799	1,297,038	1,194,527	1,108,183	**1,114,497**