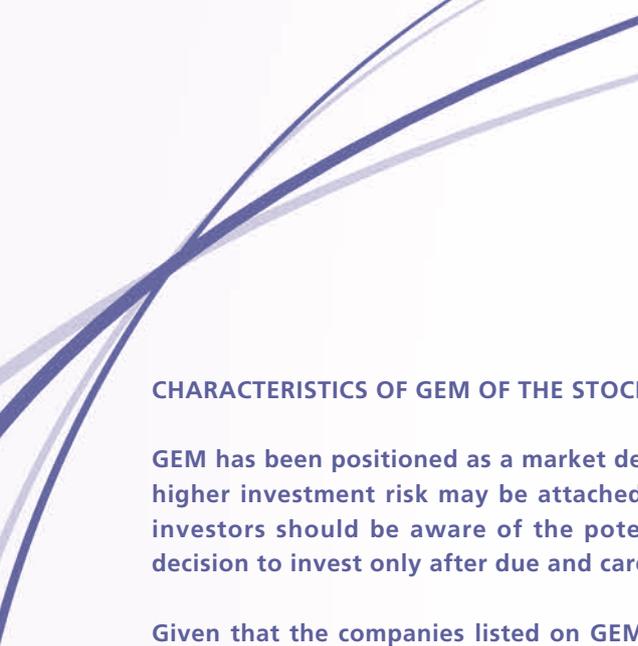




KOALA Financial Group Limited
樹熊金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8226

Annual Report 2020



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

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

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This report, for which the directors (the "Directors") of KOALA Financial Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Ms. Kwan Kar Ching (*Board Chairlady*)
Ms. Hsin Yi-Chin

Independent Non-executive Directors

Mr. Hung Cho Sing
Mr. Luk Kin Ting
Mr. Ng Wah Leung

COMPANY SECRETARY

Mr. Tse Chi Shing

AUDIT COMMITTEE

Mr. Ng Wah Leung (*Committee Chairman*)
Mr. Hung Cho Sing
Mr. Luk Kin Ting

NOMINATION COMMITTEE

Ms. Kwan Kar Ching (*Committee Chairlady*)
Mr. Hung Cho Sing
Mr. Ng Wah Leung

REMUNERATION COMMITTEE

Mr. Ng Wah Leung (*Committee Chairman*)
Ms. Kwan Kar Ching
Mr. Hung Cho Sing

AUTHORISED REPRESENTATIVES

Ms. Kwan Kar Ching
Mr. Tse Chi Shing

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 01-02, 13th Floor
Everbright Centre
108 Gloucester Road
Wan Chai, Hong Kong

COMPLIANCE OFFICER

Ms. Kwan Kar Ching

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited

LISTING INFORMATION

GEM of the Stock of Exchange of Hong Kong Limited
Stock code: 8226

COMPANY'S WEBSITE

www.koala8226.com.hk

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets, liabilities and equity attributable to owners of the Company:

CONSOLIDATED RESULTS OF THE GROUP

	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	63,906	15,960	41,649	38,957	23,372
Cost of sales and services	(57,691)	(3,059)	(2,799)	(2,261)	(1,686)
Gross profit	6,215	12,901	38,850	36,696	21,686
Other income, gains and losses (net)	(47,009)	7,553	5,719	1,579	2,756
Selling and distribution expenses	(219)	(818)	(78)	(53)	(748)
Administrative expenses	(31,030)	(29,022)	(25,016)	(24,782)	(16,274)
Finance costs	(7,100)	(6,467)	(3,350)	(1,057)	(1,600)
Share of loss of associates	(91)	–	–	–	–
(Loss)/profit before tax	(79,234)	(15,853)	16,125	12,383	5,820
Income tax	875	1,330	(2,849)	(2,321)	(819)
(Loss)/profit for the year	(78,359)	(14,523)	13,276	10,062	5,001
Non-controlling interests	6,462	4,782	(1,651)	(1,016)	(737)
(Loss)/profit attributable to owners of the Company	(71,897)	(9,741)	11,625	9,046	4,264

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Total assets	230,786	499,322	419,122	378,907	416,137
Total liabilities	(124,501)	(298,132)	(161,557)	(111,280)	(143,509)
Total assets less total liabilities	106,285	201,190	257,565	267,627	272,628
Non-controlling interests	1,719	6,238	(7,026)	(8,042)	(8,779)
Equity attributable to owners of the Company	108,004	207,428	250,539	259,585	263,849

CHAIRLADY'S STATEMENT

Dear Shareholders,

On behalf of the board of the Directors (the "**Board**") of KOALA Financial Group Limited and its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2020.

OVERVIEW OF FINAL RESULTS

The Group is principally engaged in securities brokerage, share placements, underwriting services and money lending service.

The Group recorded a net profit of approximately HK\$5.0 million for the year ended 31 December 2020, representing a decrease as compared with a net profit of approximately HK\$10.1 million for the same period of 2019.

OVERVIEW OF OUR BUSINESSES

(i) Securities brokerage, share placements and underwriting



The outbreak of the 2019 Novel Coronavirus ("**COVID-19**") in early 2020 seriously affected the processing of small and medium-cap IPOs and placement which in turn affected our business. The land border shutdowns has obstructed professional works which required entering to the mainland China (e.g. auditing and valuation). It also prevented customers with their funds to travel and

therefore hindered our business activities significantly. With the keen competitions from low-priced brokerage firms, the revenue from securities brokerage, share placements, underwriting services was decreased, nonetheless our scale of margin financing services is growing with the interest income increased this year. We will continue to focus our efforts to expand the business by broadening the customer base and cultivate new clients for long term growth.

(ii) Money lending

The money lending business has been developed for more than 4 years. Our strategy was improving to cope with the recent economic downturn. For example, businesses are expanding for thriving short-term loan demand in addition to our strength in long-term loan. Marketing strategies has been implemented to draw attentions from more potential customers. Our customers were diversify and increasing. We will continue to monitor the credit risk exposure of the Group and adopt a prudent and conservative approach in assessing and reviewing each of the borrowings.

CHAIRLADY'S STATEMENT (Continued)

(iii) Marketing efforts

In order to raise our brand awareness, we had engaged well-known artists to serve as the spokesperson of the Company. The Group is also launching different events such as advertisements, PR campaign and sponsorship. We believe all of these events could broaden and diversify our client base for constant business inflow to maintain sustainable business.

The Group is committed to contribute to the community by heart. We have actively participated in "Hong Kong & Kowloon Walk for Millions" which was held on Sunday, 5 January 2020. We are also appointed as the principal sponsor of "Helping Hand Cookie Campaign 2021". The fund raising campaign is dedicated to show our care and support to the elderly. We believe it could reinforce our positive image amongst the public. We are endeavour to promote our brand name and attract more new customers.

We would also increase resources allocation to our asset management services in order to reap stable and diversified income over the long term.

The banner features four individuals (three elderly women and one man) smiling and clapping. The background is light pink with a large red heart shape on the left containing the text "曲奇義賣運動2021" and "COOKIE CAMPAIGN 2021". The "Helping Hand" logo (a red hand with a heart) and "伸手助人協會" are in the top right. A QR code is on the right. A panda mascot is on the left. A yellow box at the bottom left says "新增 網上訂購服務" and "www.helpinghand.org.hk". A red heart-shaped callout says "全新 環保包裝 - 我們關心長者, 亦關心環境" and "Green packaging - love the elderly, love the environment!". Another red heart-shaped callout says "訂購/捐款滿HK\$1,000 可獲贈送曲奇口蓋" and "Bonus gift of limited edition of face mask for purchase / donation reaching HK\$1,000!". A red banner at the bottom right says "伸手助人為長者 購買曲奇助老人" and "Buy a Cookie. Support the Elderly.". Logos for "KOALA Financial Group Limited" and "MTR BROADCAST" are at the bottom.

CHAIRLADY'S STATEMENT (Continued)

LOOKING AHEAD

This year has been a year of significant challenge for many of us. The ongoing impact of COVID-19 has put significant pressure on many people in Hong Kong. The Board is of the view that the general outlook of the industry and the business environment in which the Group operates remain challenging in the coming year. Nevertheless, we will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

APPRECIATION

I would like to express gratitude to the Group's staff for their unwavering dedication and hard work during the year. At last but not least, I would like to extend my thanks, to all of our business partners, customers and shareholders for their unflagging support.

Kwan Kar Ching

Chairlady

Hong Kong, 25 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group's businesses were organised in four operation's segments namely (i) Securities brokerage, underwriting and placements; (ii) Money lending; (iii) Securities investment and (iv) Investment in properties.

Securities Brokerage, Underwriting and Placements



In November 2016, the Group completed the acquisition of 80% equity interest in KOALA Securities Limited (“**KOALA Securities**”). As at 31 December 2020, KOALA Securities is licensed to carry on Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO. The Group is optimistic about the market condition of

the securities brokerage, share placements, underwriting services and other related businesses. The Group will continue to allocate resources to this business segment. The Board expects such segment will become one of the major growth drivers to the Group.

Revenue from this business segment during the year was approximately HK\$12.4 million, representing a decrease of approximately HK\$10.9 million as compared to approximately HK\$23.3 million in the corresponding year of 2019. It accounted for approximately 53.0% (2019: 59.8%) of the Group's revenue during the year.

Money Lending

In February 2016, the Group, through an indirect wholly-owned subsidiary of the Group, obtained a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). In developing the Group's money lending business, the Group targets corporations and individuals with financing needs. The Group will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by our senior management. The Board remains optimistic about the growth potentials in the money lending market of Hong Kong, and will take measures accordingly to improve our overall operational efficiency and strengthen our revenue base.

During the year, the Group recorded loan interest income of approximately HK\$10.4 million (2019: HK\$14.7 million) from granting loans to both corporate and individual clients. It accounted for approximately 44.4% (2019: 37.7%) of the Group's revenue during the year. The outstanding principal amount of loans and interests receivable as at 31 December 2020 was HK\$48.2 million (2019: HK\$58.3 million). During the year, the Group did not record any doubtful or bad debt in its money lending activities.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Securities Investment

This business activity started in the third quarter of 2015. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions. The Board expects that this business activity can generate additional investment returns on available funds of the Company from time to time.

As at 31 December 2020, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$41.2 million (2019: HK\$47.8 million) which are classified as held-for-trading investments. During the year, the Group recorded a loss on fair value change of listed equity investments of approximately HK\$6.7 million (2019: loss of approximately HK\$4.5 million) and a realised gain of approximately HK\$8.7 million (2019: gain of approximately HK\$5.8 million).

Details of the Group's held-for-trading investments are set out in the section headed "Significant Investments".

Investment in Properties

In the third quarter of 2016, the Group had acquired commercial properties for investment purpose. The properties are located in Hong Kong. It is currently leased by a listed company. The Group believes that these properties could generate stable rental income to the Group.

As at 31 December 2020, the fair value of the investment properties amounted to approximately HK\$19.3 million (2019: HK\$19.6 million).

During the year, the rental income was approximately HK\$0.6 million (2019: HK\$0.6 million). It accounted for approximately 2.6% (2019: 1.4%) of the Group's revenue during the year.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OUTLOOK AND PROSPECTS

The directors of the Group consider that the outbreak of the COVID-19 in early 2020 may affect the financial performance and position of the Group including the fair value changes of investment in securities, expected credit losses on loans and interests receivable, impairment of goodwill and intangible assets so on. Meanwhile, due to the inherent nature and unpredictability of future development of the virus and market sentiment, the directors are still assessing the financial impact that COVID-19 will have on the consolidated financial statements of the Company as at the date that the consolidated financial statements are authorised for issue. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

FINANCIAL REVIEW

For the year ended 31 December 2020, the revenue of the Group decreased to approximately HK\$23.4 million (2019: HK\$39.0 million), representing a decrease of approximately 40% when compared with that of 2019. The reason for the decrease in turnover was mainly due to the recent outbreak of the COVID-19 and Hong Kong political uncertainty, which led to the decrease in segmental revenue from securities related business and money lending business.

For the year ended 31 December 2020, the Group recorded a realised gain on sale of listed securities of approximately HK\$8.7 million as compared to the gain of approximately HK\$5.8 million for the same corresponding period in 2019.

For the year ended 31 December 2020, the Group recorded an unrealised loss on listed securities of approximately HK\$6.7 million as compared to the loss of approximately HK\$4.5 million for the same corresponding period in 2019.

For the year ended 31 December 2020, the Group's administrative expenses were approximately HK\$16.3 million (2019: HK\$24.8 million), which decreased approximately 34.3% as compared with the corresponding period of last year. The reason for the decrease in administrative expenses was mainly due to the decrease of the staff cost from approximately HK\$13.4 million to approximately HK\$7.1 million.

Due to the above reasons, the Group recorded a net profit of approximately HK\$5.0 million for the year ended 31 December 2020, representing a decrease as compared with a net profit of approximately HK\$10.1 million for the same period of 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2020, the Group's major business operations took place in Hong Kong, financed mainly by the revenue generated from operating activities, corporate borrowings and issuance of new shares. As at 31 December 2020, the Group had cash and bank balances of approximately HK\$126.1 million (2019: HK\$98.6 million).

As at 31 December 2020, the Group's total indebtedness comprised of corporate bonds payable of approximately HK\$18.2 million (2019: HK\$17.2 million and other borrowing of HK\$11.0 million (2019: Nil)).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 31 December 2020, the Group's outstanding number of issued shares of HK\$0.01 each was 2,783,359,958 shares (2019: 2,783,359,958 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 31 December 2020 was 9.7% (2019: 6.0%).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group held approximately HK\$41.2 million of equity investments which were classified as held for trading. Details of the significant investments are as follows:

	Notes	Place of incorporation	Fair value gain/(loss) HK\$'000	Market value HK\$'000	Approximate percentage of held-for-trading investment %	Approximate percentage to the net asset %
EJE (Hong Kong) Holdings Limited	1	Cayman Islands	(4,511)	3,253	7.9	1.2
Eternity Technology Holdings Limited	2	Cayman Islands	(2,641)	3,959	9.6	1.5
Hands Form Holdings Limited	3	Cayman Islands	(675)	4,107	10.0	1.5
Hong Kong Education (Int'l) Investments Limited	4	Cayman Islands	4,831	12,408	30.1	4.6
Shineroad International Holdings Limited	5	Cayman Islands	(1,862)	3,364	8.1	1.2
Others		N/A	(1,354)	14,155	34.3	5.2
			(6,212)	41,246	100	15.2

Notes:

1. EJE (Hong Kong) Holdings Limited (stock code: 8101) is principally engaged in (i) manufacture of custom-made furniture; (ii) property investment; (iii) securities investment; (iv) money lending; and (v) the design, manufacture and sale of mattress and soft bed products. No dividend was received during the year. According to the latest published financial statements of EJE (Hong Kong) Holdings Limited, it had net asset value of approximately HK\$367.3 million as at 30 September 2020.
2. Eternity Technology Holdings Limited (stock code: 1725) is principally engaged in the business of electronics manufacturing services. No dividend was received during the year. According to the latest published financial statements of Eternity Technology Holdings Limited, it had net asset value of approximately RMB238.2 million as at 30 June 2020.
3. Hands Form Holdings Limited (stock code: 1920) is principally engaged in the provision of wet trades works and other wet trades related ancillary works. No dividend was received during the year. According to the latest published financial statements of Hands Form Holdings Limited, it had net asset value of approximately HK\$232.4 million as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. Hong Kong Education (Int'l) Investments Limited (stock code: 1082) is principally engaged in the provision of private educational services, investment in securities and money lending business. No dividend was received during the year. According to the latest published financial statements of Hong Kong Education (Int'l) Investments Limited, it had net asset value of approximately HK\$107.9 million as at 30 June 2020.
5. Shineroad International Holdings Limited (stock code: 1587) is principally engaged in the distribution of food additives. No dividend was received during the year. According to the latest published financial statements of Shineroad International Holdings Limited, it had net asset value of approximately RMB312.8 million as at 30 June 2020.

In view of the recent volatile in the securities market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant capital commitments (2019: Nil).

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's transactions were mainly denominated in Hong Kong dollars. The Board do not consider that the Group was significantly exposed to any foreign currency exchange risk.

PLEDGE OF ASSETS

As at 31 December 2019 and 2020, the Group did not have any substantial pledge of assets.

EVENT AFTER THE REPORTING PERIOD

Details of significant event after the reporting period are stated in Note 41 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2020, the Group had about 20 (2019: 24) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$7.1 million (2019: HK\$13.4 million).

The Group believes that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group is also committed to providing appropriate on-going training to staff members to equip them for future career development.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

USE OF PROCEEDS FROM THE OPEN OFFER

Reference is made to the announcement of the Company dated 23 December 2016 (the “**Announcement**”) in relation to the issue by way of open offer on the basis of one (1) Offer Share for every two (2) Shares in issue (the “**Open Offer**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

The net proceeds from the Open Offer were approximately HK\$109.2 million (the “**Proceeds**”). The breakdown of the Company’s actual use of the Proceeds as at 31 December 2020 was as follows:

Intended use of the Proceeds as disclosed in the Announcement

Approximately HK\$70.0 million for the development of securities business

Approximately HK\$20.0 million for the development of money lending business

Approximately HK\$19.2 million for general working capital of the Group and/or investment opportunities as may be identified from time to time

Actual use of the Proceeds from the Completion to 31 December 2020

1) Approximately HK\$38.2 million was applied as capital investment in a subsidiary of the Group, KOALA Securities Limited, providing securities placing and brokerage services; and

2) Approximately HK\$31.8 million will be applied for the expansion of the securities margin financing activities. As the activities are at the start-up stage, the Proceed will be delayed until KOALA Securities Limited have enough financing needs from its customers. The Board expects that the Proceed could be applied on or before December 2021.

1) Applied as intended.

1) Applied as intended.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Ms. Kwan Kar Ching (“Ms. Kwan”), aged 31, was appointed as an executive Director and the chairlady of the Company in April 2015 and in June 2016 respectively. Ms. Kwan holds a bachelor degree of business administration in accounting and finance from the University of Hong Kong. Ms. Kwan had worked for international bank and financial institution. She has over 5 years of experience in banking, asset management and investment.

Ms. Hsin Yi-Chin (“Ms. Hsin”), aged 34, was appointed as an executive Director in April 2016. She holds a bachelor degree in Chinese Literature from Providence University and a master degree of Science in Management from University of Leicester. Ms. Hsin has several years’ experience in educational sector and managerial experience in food and catering sector in Taiwan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Cho Sing (“Mr. Hung”), age 80, was appointed as an independent non-executive Director in May 2015. He has over 30 years of experience in the film distribution industry. Mr. Hung was the founder of Delon International Film Corporation and has been its General Manager since June 2004. Mr. Hung was the Organising Committee Chairman of the 11th and 12th Hong Kong Film Awards from 1991 to 1993. And from 1993 to 1995, Mr. Hung was the Chairman of Hong Kong Film Awards Association Limited. Mr. Hung is currently the Chairman of Hong Kong Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the Government of the Hong Kong Special Administrative Region (“HKSAR”) in 2005. From April 2007 to March 2013, Mr. Hung was appointed by the Government of HKSAR as a member of the Hong Kong Film Development Council. Mr. Hung is also a member of HKSAR Election Committee and since January 2013, he has been appointed by the Government of HKSAR as a non-official member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission.

Currently, he is an executive director of EJE (Hong Kong) Holdings Limited (stock code: 8101). He is an independent non-executive director of China Star Entertainment Limited (stock code: 326), Oshidori International Limited (stock code: 622), Miko International Holdings Limited (stock code: 1247) and Unity Investments Holdings Limited (stock code: 913).

Mr. Hung was a non-executive director of Capital VC Limited (stock code: 2324) from September 2011 to January 2014 and Universe Entertainment and Culture Group Company Limited (stock code: 1046) from October 2017 to July 2019, an independent non-executive director of Freeman FinTech Corporation Limited (stock code: 279) from January 2013 to January 2017 and HengTen Networks Group Limited (stock code: 136) from January 2013 to October 2015.

Mr. Luk Kin Ting (“Mr. Luk”), aged 36, was appointed as an independent non-executive Director in June 2016. He obtained a juris doctor degree from the Chinese University of Hong Kong, a master degree of laws (Majoring in Corporate Law) from New York University and a bachelor degree of business administration in Economics and Accounting from Hong Kong University of Science and Technology. He was admitted as a solicitor of the High Court of Hong Kong and had experience in legal counseling and solicitor practice. He was an independent non-executive director of Janco Holdings Limited (stock code: 8035) from September 2016 to September 2019.

DIRECTORS AND SENIOR MANAGEMENT PROFILES (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Ng Wah Leung (“Mr. Ng”), aged 41, was appointed as an independent non-executive Director in February 2021. He holds a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. He has over 15 years of experience in accounting and audit on Hong Kong listed companies and private companies.

SENIOR MANAGEMENT

Mr. Tse Chi Shing (“Mr. Tse”), aged 37, joined the Group in April 2011. He is the Chief Financial Officer and the Company Secretary of the Company. Mr. Tse holds a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in accounting and audit on Hong Kong listed companies and private companies.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board and senior management are committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders. The Board believes that high standards of corporate governance provide a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

The Board is of the view that the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") to the Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2020, except for the code provision A6.7 of the CG Code.

The code provision A6.7 of the CG Code stipulated that independent non-executive Directors should attend the general meetings of the Company. Two of the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 12 June 2020 due to other business engagements.

The Board will review the current practices at least annually, and make appropriate changes if considered necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealing as set out in rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2020. Having made specific enquiry of all Directors, the Directors have complied such code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2020.

BOARD OF DIRECTORS

The Board currently comprises:

Executive Directors:

Ms. Kwan Kar Ching (*Board Chairlady*)
Ms. Hsin Yi-Chin

Independent Non-executive Directors:

Mr. Hung Cho Sing
Mr. Luk Kin Ting
Mr. Ng Wah Leung

The Board is collectively responsible for the oversight of the management of the Company's business and affairs of the organisation with the objective of enhancing shareholder value. The Board approves and monitors the Group's business strategies and policies. The Board is also responsible to the shareholders of the Company for overseeing the Group's overall business, strategic decisions and directions, annual budget, and other major corporate matters. Besides, the Board delegates the management team with the authority and responsibility for the daily operations and administration of the Group.

CORPORATE GOVERNANCE REPORT (Continued)

The Board has normally scheduled 4 regular meetings a year each at quarterly intervals and meets as and when required. In addition, the Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Director. During the year ended 31 December 2020, the Board held 4 meetings and the attendance of each Director is as follows:

	Number of meetings attended/eligible to attend
Executive Directors:	
Ms. Kwan Kar Ching	4/4
Ms. Hsin Yi-Chin	3/4
Independent non-executive Directors:	
Mr. Hung Cho Sing	4/4
Mr. Luk Kin Ting	3/4
Mr. Ng Wah Leung (appointed on 27 February 2021)	0/0
Ms. Ng Yau Kuen, Carmen (resigned on 27 February 2021)	4/4

There is no family or other material relationship among members of the Board.

The Directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses, in order to discharge their duties to the Company.

Appropriate insurance cover has been arranged in respect of legal actions against the Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All independent non-executive Directors are appointed for a specific term of not more than 2 years. All Directors are subject to re-election by shareholders at the annual general meeting following their appointment. At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

CORPORATE GOVERNANCE REPORT (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed 3 independent non-executive Directors, at least one of whom has appropriate professional qualifications on accounting or related financial management expertise. For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of the Directors, the Board follows the requirements set out in the GEM Listing Rules.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure their contributions to the Board remains informed and relevant. For the year ended 31 December 2020, the Directors participated in the following continuous professional development activities:

Directors	Type of trainings
	<i>(Notes)</i>
Ms. Kwan Kar Ching	a, b
Ms. Hsin Yi-Chin	a, b
Mr. Hung Cho Sing	a, b
Mr. Luk Kin Ting	a, b
Ms. Ng Yau Kuen, Carmen (resigned on 27 February 2021)	a, b

Notes:

- a. attending conferences, seminars and in-house training
- b. reading newspapers, journals and updates relating to their duties, responsibilities and the Group's businesses

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

Ms. Kwan Kar Ching is the Chairlady of the Board. The Chairlady is responsible for ensuring that Board functions effectively, for providing leadership for the Board in setting goals and objectives for the Company and for ensuring that good corporate governance practices and procedures are established and enforced.

The Company does not have the role of chief executive officer. The Chief Executive Officer's duties have been undertaken by members of the Board. They are responsible for corporate planning, business development strategy and overall direction of the Group. The senior management is responsible for the day-to-day operations of the Group under the leadership of the Board.

CORPORATE GOVERNANCE REPORT (Continued)

REMUNERATION COMMITTEE

The remuneration committee of the Company currently comprises 1 executive Director, namely Ms. Kwan Kar Ching, and 2 independent non-executive Directors, namely Mr. Ng Wah Leung and Mr. Hung Cho Sing. Mr. Ng Wah Leung is the committee chairman. The main role and function of the remuneration committee include the formulation of the Company's remuneration policy, the approval or recommendation of remuneration packages for the Directors and senior management, and the review and approval of remuneration by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee meets regularly to determine the policy for the remuneration of Directors and assess the performance of the executive Directors. For the year ended 31 December 2020, 1 meeting of the remuneration committee have been held with the following attendances:

	Number of meetings attended/eligible to attend
Mr. Hung Cho Sing	1/1
Ms. Kwan Kar Ching	1/1
Mr. Ng Wah Leung (appointed on 27 February 2021)	0/0
Ms. Ng Yau Kuen, Carmen (resigned on 27 February 2021)	1/1

Details of the Director's remuneration are set out in Note 9 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company currently comprises 1 executive Director, namely Ms. Kwan Kar Ching and 2 independent non-executive Directors, namely Mr. Hung Cho Sing and Mr. Ng Wah Leung. Ms. Kwan Kar Ching is the committee chairlady. The works carried out by the nomination committee members are set out below:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) and to make recommendations to the Board after such review;
- (b) to assess the suitability and qualification of candidates put forward by the Chief Executive Officer and to become new board members and to report to the Board on their assessment;
- (c) to assess the independence of independent non-executive Directors, having regard to the requirements under the GEM Listing Rules; and
- (d) to make recommendations to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors, in particular, the Chairlady and the Chief Executive Officer.

CORPORATE GOVERNANCE REPORT (Continued)

For the year ended 31 December 2020, 1 meeting of the nomination committee have been held with the following attendances:

	Number of meetings attended/eligible to attend
Ms. Kwan Kar Ching	1/1
Mr. Hung Cho Sing	1/1
Mr. Ng Wah Leung (appointed on 27 February 2021)	0/0
Ms. Ng Yau Kuen, Carmen (resigned on 27 February 2021)	1/1

BOARD DIVERSITY POLICY

The Board adopts a diversity policy (the “**Diversity Policy**”) and discusses all measurable objectives set for implementing the policy. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

BOARD NOMINATION POLICY

The Board also adopts a nomination policy (the “**Nomination Policy**”) which sets out the selection criteria and procedure of appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, his/her academic background and professional qualifications, relevant experience in the industry, character and integrity and whether he/she can contribute to the diversity of the Board as detailed in the Diversity Policy. The procedure of appointing and re-appointing a Director is summarised as follows:

- nomination and invitation of suitable candidates by any member of the Nomination Committee or the Board;
- evaluation of the candidate by the Board based on all selection criteria as set out in the Nomination Policy;
- performing due diligence in respect of each candidate and making recommendation for the Board’s consideration and approval;
- in case of nomination of an independent non-executive Director, assessing the candidate’s independence under the relevant Code Provisions and the GEM Listing Rules;
- where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under code provision A.5.5 of the CG Code;

CORPORATE GOVERNANCE REPORT (Continued)

- in the context of re-appointment of retiring Directors, reviewing the candidate's overall contribution and performance and making recommendations to the Board and/or the shareholders for consideration in connection with his/her re-election at general meetings; and
- convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director.

AUDIT COMMITTEE

The audit committee of the Company comprises 3 independent non-executive Directors, namely Mr. Ng Wah Leung, Mr. Hung Cho Sing and Mr. Luk Kin Ting with Mr. Ng Wah Leung as the committee chairman.

The primary role and function of the audit committee are to oversee the relationship with the external auditor, to review the Group's preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements. The committee shall engage independent legal or other advisers as it determines is necessary to perform any investigations.

For the year ended 31 December 2020, 4 meetings of the audit committee have been held for the purpose of reviewing the Company's accounts and reports, and providing advices and recommendations to the Board, with the following attendances:

	Number of meetings attended/eligible to attend
Mr. Hung Cho Sing	4/4
Mr. Luk Kin Ting	4/4
Mr. Ng Wah Leung (appointed on 27 February 2021)	0/0
Ms. Ng Yau Kuen, Carmen (resigned on 27 February 2021)	4/4

ACCOUNTABILITY AND AUDIT

The Board acknowledges their responsibility for preparing the financial statements of the Group and ensures the financial statements have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The statement of the external auditor of the Company about the responsibilities on the financial statements of the Group is set out in the independent auditor's report.

CORPORATE GOVERNANCE REPORT (Continued)

AUDITOR'S REMUNERATION

For the year ended 31 December 2020, the fees paid and payable to the external auditor in respect of audit services to the Group were approximately HK\$589,000 (2019: HK\$658,000). The fees for non-audit related services performed by the external auditor were HK\$Nil (2019: HK\$39,100).

INVESTMENT COMMITTEE

The investment committee of the Company was established on 14 October 2015. The investment committee is responsible for formulating investment policies while reviewing and determining the investment portfolio of the Group.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

In accordance with article 64 of the articles of association of the Company, 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 shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/(themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' enquiries

The Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the year under review, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering material controls, including financial, operational, compliance and risk management aspects of the Group. The systems were considered effective and adequate.

The Group adopts a complete process style of risk management in a functional bottom up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes.

CORPORATE GOVERNANCE REPORT (Continued)

The Group also has an internal audit function, which is governed by an appointed professional with related qualification. The internal audit function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness. The results are reported to the audit committee and the Board.

In 1 of the audit committee meeting, internal audit report and other supporting documents have been discussed for the review of risk management and internal control systems and the effectiveness of internal audit function.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

With respect to the handling and dissemination of inside information, the Group has adopted various procedures and measures on disclosure of inside information with an aim to ensure that the insiders abide by the confidentiality requirement and that inside information is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations. Such procedures include, among others, notification of regular blackout period and securities dealing restrictions to the Directors and employees, dissemination of information to specified persons on a need-to-know basis and use of code to identify projects.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. The Board shall take into account of the following factors before declaring dividends:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and internal or external factors that may have an impact on the business, financial results and position of the Company; and
- other factors that the Board deems appropriate and relevant.

Any distribution of dividends shall be in accordance with all relevant applicable laws, rules and regulations in the Cayman Islands and Hong Kong, and the Articles of Association of the Company.

The dividend policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

The Board does not recommend the payment of final dividend for the year ended 31 December 2020.

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries of the Company are set out in Note 40 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

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 page 37.

The Directors do not recommend the payment of any dividends in respect of the year (2019: Nil).

BUSINESS REVIEW AND PROSPECTS

The business review of the Group for the year ended 31 December 2020 is set out in the "Chairlady's Statement" and "Management Discussion and Analysis" on pages 4 to 6 and pages 7 to 12 respectively of this annual report.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 3 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 31 to the consolidated financial statements.

REPORT OF THE DIRECTORS (Continued)

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 40.

DISTRIBUTABLE RESERVES

Under the provisions of the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

ENVIRONMENTAL POLICIES

A separate environmental, social and governance report is expected to be published on the website of the Stock Exchange and the Company no later than 3 months after the publication of this report.

DIRECTORS

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

Executive Directors:

Ms. Kwan Kar Ching

Ms. Hsin Yi-Chin

Independent non-executive Directors:

Mr. Hung Cho Sing

Mr. Luk Kin Ting

Mr. Ng Wah Leung (appointed on 27 February 2021)

Ms. Ng Yau Kuen, Carman (resigned on 27 February 2021)

In accordance with article 108(A) of the articles of association of the Company, Ms. Kwan Kar Ching and Mr. Hung Cho Sing shall retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

In accordance with article 112 of the articles of association of the Company, Mr. Ng Wah Leung shall retire at the forthcoming annual general meeting and being eligible, offer himself for re-election.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 14 of this annual report.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the 2020 interim report of the Company are set out below:

Mr. Ng Wah Leung has been appointed as an independent non-executive director of the Company, the chairman of audit committee, the member of nomination committee and the chairman of remuneration committee with effect from 27 February 2021.

Ms. Ng Yau Kuen, Carmen, an independent non-executive Director, has tendered her resignation as the independent non-executive director of the Company, the chairlady of audit committee, the member of nomination committee and the chairlady of remuneration committee with effect from 27 February 2021.

Save for the information above, the Company is not aware of any other change in Directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules subsequent to the date of the 2020 interim report.

DIRECTORS' SERVICE CONTRACTS

Each of Ms. Kwan Kar Ching and Ms. Hsin Yi-Chin entered into an appointment letter with the Company. They have no fixed term of service with the Company save that they are subject to retirement by rotation in accordance with the articles of association of the Company.

Each of Mr. Hung Cho Sing, Mr. Luk Kin Ting and Mr. Ng Wah Leung entered into a 2-year service contract with the Company and they are subject to retirement by rotation in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS (Continued)

CONFIRMATION OF INDEPENDENCE

The Company has received from each of its independent non-executive Directors the written confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules. The Company based on such confirmation, considers that all of the independent non-executive Directors are independent.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the section "Connected/Related Party Transactions" below and Note 36 to the consolidated financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

There is no material contract between the Group and the controlling shareholder or its subsidiaries during the year.

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

None of the Directors nor chief executives of the Company had interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2020.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Ms. Wong Ka Man	Beneficial owner	530,667,261	–	530,667,261	19.07%

REPORT OF THE DIRECTORS (Continued)

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

SHARE OPTIONS

The Company operates a share option scheme for the purpose of enabling the Company to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. Eligible participants include any employees, directors, consultants or professional advisors, shareholders and suppliers or customers of the Group.

The share option scheme effective on 8 July 2002 (the “**2002 Share Option Scheme**”) was terminated and a new share option scheme (the “**New Share Option Scheme**”) was adopted and became effective for a period of 10 years commencing from 15 June 2012. Shares options granted prior to the expiry of the 2002 Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the 2002 Share Option Scheme. As at 31 December 2020, the Company had no (31 December 2019: 21,200,000) share options outstanding under the 2002 Share Option Scheme, which represented nil (31 December 2019: 0.8%) of its issued share capital on that date. No share option was granted under the New Share Option Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under its share option scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company. As at 31 December 2020, the number of securities available for issue under the New Share Option Scheme was 43,176,497 shares, which represented approximately 1.6% (31 December 2019: 1.6%) of its issued share capital on that date.

The maximum number of share issued and which may fall to be issued upon exercise of the share options granted under the share option scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. Any share option granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders’ approval in general meeting of the Company.

REPORT OF THE DIRECTORS (Continued)

The offer of a grant of share option under the share option scheme may be accepted, upon payment of a nominal consideration of HK\$1 in total by the grantee. A share option granted under the share option scheme may be exercised in whole or in part in the manner provided in the share option scheme by a grantee giving notice in writing to the Company at any time during a period not exceed 10 years from the date an share option granted under the share option scheme is offered.

The exercise price of the share options is a price determined by the Board, in its absolute discretion, but in any case is not less than whichever is the highest of (1) the closing price of the Shares as stated in the Exchange's daily quotation sheet on the date of grant, which must be a trading day; (2) the average closing price of the Shares as stated in the Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (3) the nominal value of the Shares.

The following table discloses movements in the Company's share options during the year:

Name or category of participant	Exercisable period	Exercise price per share of the Company HK\$	Outstanding at 1 January 2020	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 December 2020
Consultants							
In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	–	–	(21,200,000)	–

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above and in Note 32 to the consolidated financial statements, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED/RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in Note 36 to the consolidated financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. There is appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUAL

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 9 and 10 to the consolidated financial statements respectively.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the Directors is decided by the remuneration committee of the Company, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Company has adopted a share options scheme as an incentive to the Directors and eligible employees. Details of the scheme are set out in Note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers accounted for 45.0% (2019: 42.5%) of the Group's total turnover. The largest customer accounted for 15.3% (2019: 12.6%) of the Group's total turnover. The Group had no major supplier due to the nature of principal activities of the Group.

None of the Directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS (Continued)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

Corporate governance report of the Company is set out on pages 15 to 22 of the annual report.

AUDITOR

The accompanying financial statements have been audited by CCTH CPA Limited who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Kwan Kar Ching

Chairlady

25 March 2021

INDEPENDENT AUDITOR'S REPORT



**TO THE SHAREHOLDERS OF
KOALA FINANCIAL GROUP LIMITED**

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KOALA Financial Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 38 to 112, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 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 (“**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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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.

Impairment assessments of goodwill and intangible assets with indefinite useful lives

Refer to Notes 17 and 18 to the consolidated financial statements.

Key audit matters

The Group recognised goodwill and other intangible assets with indefinite useful lives in connection with the acquisition of securities placing and brokerage business undertaken by KOALA Securities Limited during the year ended 31 December 2016.

We focused on the impairment assessment of the goodwill (HK\$18,302,000 as at 31 December 2020) and the intangible assets (HK\$20,000,000 as at 31 December 2020) as management's assessment of the "value in use" of the cash-generating units (CGUs) of this business, which is based on the business valuation performed by external valuer, involves judgments and estimates about the future results of the business, key assumptions including revenue growth rate and gross profit margin, long-term growth rate and the discount rates applied to future cash flow forecast.

How our audit addressed the key audit matters

Our procedures in relation to impairment assessment of goodwill and intangible assets included:

- We evaluated the independence, competence, capabilities and objectivity of the external valuer who performed the business valuation.
- We obtained an understanding of the valuation process and techniques adopted by the external valuer to assess if they are consistent with industry norms.
- We made enquiry of the external valuer and management of the Group to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted for the valuation and compared them to, where relevant, existing placing and brokerage profiles, publicly available information of similar comparable listed company and our knowledge of the securities industry.
- We evaluated and challenged the composition of the Group's future cash flow forecasts in each CGU, and the process by which they were drawn up, including testing the underlying value in use calculation.
- We challenged the key assumptions including revenue growth rate and gross profit margin by comparing the current year's actual results with the future plans. We considered the appropriateness of the discount rates adopted by management.
- We have also considered the adequacy of the disclosure of impairment assessments of the goodwill and other intangible assets set out in Notes 17 and 18 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

Recoverability of loans and interests receivable and accounts receivable

Refer to Notes 19 and 20 to the consolidated financial statements.

Key audit matters

How our audit addressed the key audit matters

As at 31 December 2020, the Group had loans and interests receivable with the carrying amount of approximately HK\$49,208,000. As at that date, the Group had gross accounts receivable amounted to approximately HK\$79,677,000 of which no impairment provision has been made.

Recoverability of the loans and interests receivable and accounts receivable involved management judgment in assessing the allowance for doubtful debts for individual receivable. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty.

In addition, an external valuer was engaged for the impairment assessment of the loans and interests receivable.

We have identified impairment assessment of loans and interests receivable and accounts receivable as a key audit matter due to the magnitude of the receivable and the estimation and judgments involved in the determination of the recoverable amounts of these receivable.

Our procedures in relation to management's impairment assessment of loans and interests receivable and accounts receivable included:

- We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts.
- We evaluated the independence, competence, capabilities and objectivity of the external ECL valuer who was engaged for impairment assessment of the loans and interests receivable.
- We reviewed the agreements and other relevant documents relating to the loans made by the Group.
- We made enquiry of the external valuer and management of the Group to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the external valuer by comparing them on a sample basis, to where relevant, assumption and our knowledge of the same industry.

INDEPENDENT AUDITOR'S REPORT (Continued)

Recoverability of loans and interests receivable and accounts receivable (Continued)

Key audit matters

How our audit addressed the key audit matters

- We assessed the classification and accuracy of individual balances in accounts receivable, ageing report by testing the underlying clients' advices on a sample basis.
- We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivable and evaluate the allowance for doubtful debts made by management for these individual balances.
- We assessed the historical accuracy of the estimates made by the management for the allowance for doubtful debts.
- We assessed the appropriateness of expected credit loss positioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit loss.

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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

CCTH CPA Limited

Certified Public Accountants

Hong Kong, 25 March 2021

Kwong Tin Lap

Practising Certificate Number: P01953

Unit 1510-17, 15/F, Tower 2 Kowloon Commerce Centre,
No. 51 Kwai Cheong Road, Kwai Chung,
New Territories, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Revenue	6	23,372	38,957
Cost of services		(1,686)	(2,261)
Gross profit		21,686	36,696
Other income, gains and losses	6	2,756	1,579
Selling and distribution expenses		(748)	(53)
Administrative expenses		(16,274)	(24,782)
Finance costs	7	(1,600)	(1,057)
Profit before tax	8	5,820	12,383
Income tax expense	11	(819)	(2,321)
Profit and total comprehensive income for the year		5,001	10,062
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		4,264	9,046
Non-controlling interests		737	1,016
		5,001	10,062
		2020 HK cents	2019 HK cents (revised)
Earnings per share	13		
Basic and diluted		3.06	6.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	14	2,169	2,182
Right-of-use assets	15	5,000	336
Investment properties	16	19,300	19,600
Loans and interests receivable	19	529	–
Goodwill	17	18,302	18,302
Other intangible assets	18	20,000	20,000
		65,300	60,420
Current assets			
Loans and interests receivable	19	48,679	63,550
Accounts receivable	20	79,677	63,840
Prepayments and deposits paid		1,907	1,882
Amount due from non-controlling interests	21	–	245
Financial assets at fair value through profit or loss	22	41,246	47,798
Bank balances – trust accounts	23	53,263	42,578
Bank balances and cash – general bank accounts and cash	23	126,065	98,594
		350,837	318,487
Current liabilities			
Accounts payable	24	78,999	56,705
Other payable and accruals	25	12,191	12,977
Rental deposits received		155	155
Lease liabilities	26	2,253	346
Amount due to non-controlling interests	27	10,400	10,400
Other borrowing	28	11,000	–
Corporate bonds payable	29	8,753	–
Income tax payable		4,534	10,284
		128,285	90,867
Net current assets		222,552	227,620
Total assets less current liabilities		287,852	288,040

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Lease liabilities	26	2,586	–
Corporate bonds payable	29	9,398	17,168
Deferred tax liabilities	30	3,240	3,245
		15,224	20,413
Net assets			
		272,628	267,627
Capital and reserves			
Share capital	31	27,833	27,833
Reserves		236,016	231,752
Equity attributable to owners of the Company		263,849	259,585
Non-controlling interests		8,779	8,042
Total equity			
		272,628	267,627

The consolidated financial statements on pages 37 to 112 were approved and authorised for issue by the Board of Directors on 25 March 2021 and are signed on its behalf by:

Kwan Kar Ching
Director

Luk Kin Ting
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Share option reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000 (Note 32)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	27,833	653,399	7,410	(438,103)	250,539	7,026	257,565
Profit for the year	-	-	-	9,046	9,046	1,016	10,062
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	9,046	9,046	1,016	10,062
At 31 December 2019 and 1 January 2020	27,833	653,399	7,410	(429,057)	259,585	8,042	267,627
Profit for the year	-	-	-	4,264	4,264	737	5,001
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	4,264	4,264	737	5,001
Share option forfeited	-	-	(7,410)	7,410	-	-	-
At 31 December 2020	27,833	653,399	-	(417,383)	263,849	8,779	272,628

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities		
Profit before tax	5,820	12,383
Adjustments for:		
Interest income included in other income and gains	(81)	(332)
Finance costs	1,600	1,057
Depreciation of property, plant and equipment	1,170	1,240
Depreciation of right-of-use assets	2,259	2,396
Losses on change in fair value of investment properties	300	300
Operating cash flows before movements in working capital	11,068	17,044
Increase in accounts receivable	(15,837)	(9,630)
Decrease/(increase) in loans and interests receivable	14,342	(8,750)
(Increase)/decrease in prepayments and deposits paid	(25)	836
Decrease in amount due from non-controlling interest	245	–
Decrease/(increase) in financial assets at fair value through profit or loss	6,552	(20,529)
(Increase)/decrease in bank balances – trust accounts	(10,685)	57,535
Increase/(decrease) in accounts payable	22,294	(55,983)
(Decrease)/increase in other payable and accruals	(786)	2,078
Increase in rental deposits received	–	20
Cash generated from/(used in) operations	27,168	(17,379)
Income taxes paid	(6,574)	(67)
Net cash generated from/(used in) operating activities	20,594	(17,446)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Cash flows from investing activities			
Interest received		81	332
Purchase of property, plant and equipment		(1,157)	(9)
Net cash (used in)/generated from investing activities		(1,076)	323
Cash flows from financing activities			
Interest paid	34	(617)	(49)
Payment of lease liabilities	34	(2,430)	(2,386)
Processing from other borrowing	34	11,000	–
Net cash generated from/(used in) financing activities		7,953	(2,435)
Net increase/(decrease) in cash and cash equivalents		27,471	(19,558)
Cash and cash equivalents at beginning of the year		98,594	118,152
Cash and cash equivalents at end of the year		126,065	98,594
Analysis of cash and cash equivalents at end of the year:			
Bank balances and cash – general bank accounts and cash	23	126,065	98,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

KOALA Financial Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands, and the issued shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in investment holding. The principal activities of the Company’s principal subsidiaries are set out in Note 40 to the financial statements.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

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 Institute of Certified Public Accountants (“**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

Except as described below, 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 these consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

Impacts on application of Amendments to HKFRS 3 Definition of a Business (Continued)

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ⁴
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 ³

- ¹ Effective for annual periods beginning on or after 1 June 2020.
- ² Effective for annual periods beginning on or after 1 January 2021.
- ³ Effective for annual periods beginning on or after 1 January 2022.
- ⁴ Effective for annual periods beginning on or after 1 January 2023.
- ⁵ Effective for annual periods beginning on or after a date to be determined.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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 GEM of the Stock Exchange 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 fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in the 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, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are 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 prices.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Business combinations or asset acquisitions

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

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

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations or asset acquisitions (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.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based Payment” at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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 are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in 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 the disposal. 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 profit or loss in the period in which the property is derecognised.

Intangible assets

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

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on intangible and tangibles assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its intangible and tangibles assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets within indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade 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 accounts receivable 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) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Interest income which is derived from the Group's ordinary course of business is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

All other financial assets are subsequently measured at fair value through profit or loss (“**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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading or it is designated as at FVTPL. A financial asset is classified as 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 is 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 asset measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial assets, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the financial assets, and will be taken to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated at FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial assets and is included in other income and gains line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, loans and interests receivable, other receivables, amount due from non-controlling interests, bank balances and cash) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. 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 accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers event of default to occur 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 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial assets 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;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial assets because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivable, when the amounts are over one year 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's accounts receivable are each assessed as a separate group. Loans and interests receivable are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure that 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 accounts receivable where the corresponding adjustment is recognised through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities (including accounts payable, other payable and accruals, amount due to non-controlling interests, corporate bonds payable, and other borrowing) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 customers.

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

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

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

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

Based on the historical pattern, revenue from provision of securities placing and brokerage services is recognised at a point of time when the services are rendered by the Group.

Based on the historical pattern, revenue from provision of assets management services is recognised at over time basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

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

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, unless those costs are incurred to produce inventories.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments includes:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount which commensurates with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business is presented as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 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.

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 rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

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

Borrowing costs

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

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

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

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 profit/loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax is 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 tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

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

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (which is dealt with separately below), that management of the Group has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amount of investment properties measured using the fair value model is recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred tax on changes in fair value of investment properties, as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainties

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

(a) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indications of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. In addition, intangible assets within indefinite useful lives are tested for impairment at least annually. An impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available information from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (Continued)

Key sources of estimation uncertainties (Continued)

(b) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2020, the carrying amount of goodwill amounted to approximately HK\$18,302,000 (2019: HK\$18,302,000). No impairment of goodwill was recognised in profit or loss in respect of both of the years ended 31 December 2020 and 31 December 2019.

(c) Useful life and residual value of property, plant and equipment

The Group determines the depreciation amount of property, plant and equipment based on the estimated useful life and residual value, which are reviewed at the end of each reporting period. The principal assumptions for the Group's estimation of the useful life and residual value include those related to the mode of operations, government regulations and scrap value of property, plant and equipment in future.

(d) Impairment of accounts receivable

The loss allowances for accounts receivable are based on assumptions about risk of default and expected loss rates. The Group use judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Notes 20 and 38(b). As at 31 December 2020, the carrying amount of accounts receivable is HK\$79,677,000 (2019: HK\$63,840,000).

(e) Impairment of loans and interests receivable

Impairment of loans and interests receivable is assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. Assessment are done based on the Group's historical credit loss experience, general conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loans and interests receivable are disclosed in Notes 19 and 38(b).

As at 31 December 2020, the carrying amount of loans and interests receivable is HK\$49,208,000 (2019: HK\$63,550,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (Continued)

Key sources of estimation uncertainties (Continued)

(f) Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of the investment properties. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets is set out in Notes 16 and 38(c).

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following reportable operating segments based on their products and services:

- Securities investments
- Provision of securities placing and brokerage services
- Leasing of investment properties
- Money lending business
- Provision of assets management services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, finance costs, as well as other head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

5. OPERATING SEGMENT INFORMATION (Continued)

(a) Segment revenue and results

	Segment revenue		Segment profit/(loss)	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Securities investments	–	–	2,086	1,288
Provision of securities placing and brokerage services	12,383	23,303	5,262	10,963
Leasing of investment properties	619	553	267	184
Money lending business	10,370	14,701	7,491	11,225
Provision of assets management services	–	400	(427)	(1,535)
	23,372	38,957	14,679	22,125

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2019: Nil).

	2020 HK\$'000	2019 HK\$'000
Segment profit reported above	14,679	22,125
Interest income from bank deposits	81	332
Corporate and other unallocated expenses – net	(7,340)	(9,017)
Finance costs	(1,600)	(1,057)
Profit before tax	5,820	12,383
Income tax expense	(819)	(2,321)
Profit for the year	5,001	10,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	2020 HK\$'000	2019 HK\$'000
Segment assets		
Securities investments	41,246	47,798
Provision of securities placing and brokerage services	207,584	186,993
Leasing of investment properties	19,610	19,757
Money lending business	86,225	71,594
Provision of assets management services	829	635
Total segment assets	355,494	326,777
Corporate and other unallocated assets	60,643	52,130
Total assets	416,137	378,907

	2020 HK\$'000	2019 HK\$'000
Segment liabilities		
Provision of securities placing and brokerage services	90,375	73,913
Leasing of investment properties	155	155
Provision of assets management services	2	25
Total segment liabilities	90,532	74,093
Corporate and other unallocated liabilities	52,977	37,187
Total liabilities	143,509	111,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

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

- all assets are allocated to operating segments other than certain property, plant and equipment, right-of-use assets, other deposits and prepayments, other receivables, certain bank balances and cash and assets used jointly by reportable segments. Goodwill and other intangible assets are allocated to segments as described in Notes 17 and 18 respectively. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to operating segments other than certain other payables and accruals, corporate bonds payable, other borrowing, lease liabilities, income tax payable, deferred tax liabilities and liabilities for which reportable segments are jointly liable. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

(c) Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Securities investments	–	–	–	–
Provision of securities placing and brokerage services	66	158	–	9
Leasing of investment properties	–	–	–	–
Money lending business	–	–	–	–
	66	158	–	9
Unallocated	3,363	3,478	8,080	336
Consolidated total	3,429	3,636	8,080	345

The additions to non-current assets consist of additions to property, plant and equipment, right-of-use assets and exclude assets from the acquisition of subsidiaries and financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

5. OPERATING SEGMENT INFORMATION (Continued)

(d) Geographical information

(i) Revenue from external customers

	2020 HK\$'000	2019 HK\$'000
Hong Kong	23,372	38,957

The revenue information above is based on the locations of the customers.

(ii) Non-current assets

	2020 HK\$'000	2019 HK\$'000
Hong Kong	46,998	42,118

The non-current assets information is based on the locations of the assets and excludes goodwill.

(e) Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	3,590	N/A [#]
Customer B	3,408	N/A [#]
Customer C	N/A [*]	4,912

[#] The revenue from customer A and customer B for the year ended 31 December 2019 does not exceed 10% of the total revenue of the Group for that year.

^{*} The revenue from customer C for the year ended 31 December 2020 does not exceed 10% of the total revenue of the Group for this year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE, OTHER INCOME, GAINS AND LOSSES

Revenue, which is also the Group's turnover, represents the aggregate of income from provision of securities placing and brokerage services, rental income from leasing of investment properties, interest from loans and interests receivable and provision of assets management services, analysed as follows:

	2020 HK\$'000	2019 HK\$'000
Revenue		
Provision of securities placing and brokerage services (<i>Note i</i>)	12,383	23,303
Rental income from leasing of investment properties	619	553
Interest income from loans and interests receivable	10,370	14,701
Provision of assets management services (<i>Note ii</i>)	–	400
Total revenue	23,372	38,957

Notes:

- (i) Revenue from provision of securities placing and brokerage services is recognised at a point of time when the services are rendered by the Group.
- (ii) Revenue from provision of assets management services is recognised at over time basis when the services are rendered by the Group.

	2020 HK\$'000	2019 HK\$'000
Other income, gains and losses		
Gain on change in fair value of financial assets at fair value through profit or loss		
– Net realised gain on sale of listed securities	8,722	5,750
– Net unrealised loss on listed securities	(6,697)	(4,462)
	2,025	1,288
Dividend income	7	14
Exchange gains, net	–	9
Government grants (<i>Note</i>)	844	–
Interest income from bank deposits	81	332
Loss on change in fair value of investment properties (<i>Note 16</i>)	(300)	(300)
Sundry income	99	236
Total other income, gains and losses	2,756	1,579

Note:

Government grants mainly represent grants received in connection with the support from the Anti-epidemic Fund of the government of Hong Kong Special Administrative Region. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on:		
– Lease liabilities (Note 26)	148	49
– Corporate bonds payable (Note 29)	983	1,008
– Other borrowing (Note 28)	469	–
	1,600	1,057

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2020 HK\$'000	2019 HK\$'000
Directors' remuneration (Note 9)	2,241	2,918
Other staff costs (excluding directors' remuneration):		
Wages, salaries and allowances	4,639	10,229
Contribution to retirement schemes	181	235
Total staff costs	7,061	13,382
Auditor's remuneration		
– audit services	589	658
Depreciation of property, plant and equipment	1,170	1,240
Depreciation of right-of-use assets	2,259	2,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

9. DIRECTORS' REMUNERATION

Details of emoluments paid by the Group to the directors of the Company are as follows:

2020	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contribution HK\$'000	Total remuneration HK\$'000
<i>Executive directors:</i>				
Ms. Kwan Kar Ching	-	1,479	42	1,521
Ms. Hsin Yi-Chin	-	360	-	360
<i>Independent non-executive directors:</i>				
Mr. Hung Cho Sing	120	-	-	120
Mr. Luk Kin Ting	120	-	-	120
Ms. Ng Yau Kuen, Carmen	120	-	-	120
	360	1,839	42	2,241

2019	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contribution HK\$'000	Total remuneration HK\$'000
<i>Executive directors:</i>				
Ms. Kwan Kar Ching	-	1,677	41	1,718
Ms. Hsin Yi-Chin	-	840	-	840
<i>Independent non-executive directors:</i>				
Mr. Hung Cho Sing	120	-	-	120
Mr. Luk Kin Ting	120	-	-	120
Mr. Kam Hou Yin, John (<i>note i</i>)	34	-	-	34
Ms. Ng Yau Kuen, Carmen (<i>note ii</i>)	86	-	-	86
	360	2,517	41	2,918

Notes:

- (i) Mr. Kam Hou Yin, John resigned on 12 April 2019.
- (ii) Ms. Ng Yau Kuen, Carmen was appointed independent non-executive director of the Company on 12 April 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2019: two directors) whose remuneration are included in directors' remuneration as set out in Note 9 above. Details of the remuneration of the remaining four highest paid employees (2019: three employees) are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and other benefits	2,309	4,113
Pension scheme contribution	83	70
	2,392	4,183

The remuneration of these four highest paid employees (2019: three employees) fell within the following bands:

	2020 Number of employees	2019 Number of employees
Nil to HK\$1,000,000	4	2
HK\$1,000,001 to HK\$1,500,000	-	1
	4	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

11. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Hong Kong profits tax		
– current year	(1,025)	(2,813)
– over-provision in prior years	201	361
Current tax charge	(824)	(2,452)
Deferred tax credit (Note 30)	5	131
Income tax expense	(819)	(2,321)

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 the assessable profits of qualifying group entity are taxed at 8.25%, and assessable profits above HK\$2 million are 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 the rate of 16.5%.

For the years ended 31 December 2020 and 31 December 2019, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime.

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

	2020 HK\$'000	2019 HK\$'000
Profit before tax	5,820	12,383
Tax calculated at the tax rate of 8.25% (2019: 8.25%)	165	165
Tax calculated at the tax rate of 16.5% (2019: 16.5%)	499	1,713
Tax effect of expenses not deductible for tax	1,297	1,955
Tax effect of income not subject to tax	(1,428)	(1,583)
Tax effect of tax loss not recognised	286	71
Over-provision in prior years	–	–
Income tax expense	819	2,321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting date (2019: Nil).

13. EARNINGS PER SHARE

Basic earnings per share

The calculation of the basic earnings per share attributable to the owners of the Company is as follows:

	2020 HK\$'000	2019 HK\$'000
Profit		
Profit for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	4,264	9,046

	2020 '000	2019 '000 (revised)
Number of shares		
Number of ordinary shares		
for the purpose of basic earnings per share	139,168	139,168

The number of ordinary shares for the purpose of basic earnings per share has been adjusted to take into account the share consolidation which took place subsequent to the end of reporting period (Note 41).

Diluted earnings per share

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted because the exercise price of those share options was higher than the average market price for shares of the Company of both of the years ended 31 December 2020 and 31 December 2019.

Diluted earnings per share for both of the years ended 31 December 2020 and 31 December 2019 are the same as basic earnings per share as there were no potential ordinary shares in issue during the years 2019 and 2020 except for the share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Machinery, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 1 January 2019	1,862	891	5,097	7,850
Additions	2	7	–	9
At 31 December 2019 and 1 January 2020	1,864	898	5,097	7,859
Additions	–	–	1,157	1,157
At 31 December 2020	1,864	898	6,254	9,016
ACCUMULATED DEPRECIATION				
At 1 January 2019	1,784	632	2,021	4,437
Depreciation for the year	78	143	1,019	1,240
At 31 December 2019 and 1 January 2020	1,862	775	3,040	5,677
Depreciation for the year	2	110	1,058	1,170
At 31 December 2020	1,864	885	4,098	6,847
CARRYING AMOUNTS				
At 31 December 2020	–	13	2,156	2,169
At 31 December 2019	2	123	2,057	2,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, less their residual values, as follows:

Leasehold improvements	2–5 years
Machinery, furniture and equipment	3–10 years
Motor vehicles	5 years

15. RIGHT-OF-USE ASSETS

	Leased property	
	2020 HK\$'000	2019 HK\$'000
Carrying amount at beginning of the year	336	2,732
Additions during the year, at cost	6,923	–
Depreciation provided for the year	(2,259)	(2,396)
Carrying amount at end of the year	5,000	336
Total cash outflow for leases	2,435	2,435

Right-of-use assets represent the Group's lease of its office. Leases and rentals are negotiated and fixed respectively for an average of three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

16. INVESTMENT PROPERTIES

The Group's investment properties comprise:

	2020 HK\$'000	2019 HK\$'000
Investment properties in Hong Kong at fair value	19,300	19,600

Note:

The Group's investment properties represent office premises which are located in Hong Kong and were rented out under operating leases as at 31 December 2020 and 31 December 2019.

The fair values of the Group's investment properties as at 31 December 2020 and 31 December 2019 have been arrived at on the basis of valuations carried out at those dates by B.I. Appraisals Limited, which is an independent qualified professional valuer not connected with the Group.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	19,600	19,900
Loss on change in fair value recognised in profit or loss	(300)	(300)
At end of the year	19,300	19,600

In estimating the fair value of the investment properties, the highest and the best use of the properties is their current use. The Group changed the valuation technique for the fair value estimation of its industrial properties in Hong Kong from investment approach method adopted for the prior year to direct comparison method adopted for the current year as the investment properties have been vacant during the current year and the directors are of the opinion that the direct comparison method is more appropriate for estimation of the fair value of the investment properties at the end of the reporting period,

The summary below is the valuation techniques used and the key inputs to the valuation of investment properties:

At 31 December 2020

Type of properties	Valuation techniques	Significant unobservable inputs	Estimated unobservable inputs	Relationship of unobservable inputs to fair value
Office premises in Hong Kong	Direct comparison method	Unit price per square foot (Saleable Area)	HK\$23,474	The higher the unit price per square foot, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

16. INVESTMENT PROPERTIES (Continued)

Under the direct comparison method the market value of the properties is estimated by making reference to comparable sale evidence in relevant market, any by cross-referencing whenever appropriate, the value of the properties in the current rents passing and the reversionary income potential of the properties, as observable by the valuer for similar properties in the locality and adjusted based on the valuer knowledge of the factors specific to the respective properties.

At 31 December 2019

The significant unobservable inputs into the valuation technique include:

Estimated rental value	Based on the actual view, type, quality and location of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties
Discount rate	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows
Premium or discount for quality of properties	Quality of properties, such as view, time, location, size, level and condition of the properties

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used):

Properties and location	Fair value	Valuation techniques	Significant unobservable inputs	Range of significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Office premises located in Hong Kong	HK\$19,600,000	Investment approach	Unit rent and market yield	HK\$47 to 62 (unit rent) and 2.8% to 3% yield	The higher the rental the higher the market value; the higher the market yield the lower the market value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

17. GOODWILL

	2020 HK\$'000	2019 HK\$'000
Cost		
At beginning and end of the year	18,302	18,302
Accumulated impairment losses		
At beginning and end of the year	–	–
Carrying amounts		
At end of the year	18,302	18,302

The carrying amount of the goodwill has been allocated for impairment testing purposes to the cash-generating unit (“CGU”) of provision of securities placing and brokerage services undertaken by a subsidiary, KOALA Securities Limited (“KOALA Securities”).

	2020 HK\$'000	2019 HK\$'000
KOALA Securities	18,302	18,302

The goodwill arose from the acquisition of Prime Paradise Limited and its subsidiary, KOALA Securities Limited during the year of 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

17. GOODWILL (Continued)

Impairment test of goodwill

The directors of the Company conducted assessment of the recoverable amount of KOALA Securities with reference to the valuation conducted by B.I. Appraisals Limited, an independent firm of professional valuers with recognised qualifications and experience, using the income approach methodology. The discount rate applied to the cash flow projections of KOALA Securities is 16.93% (2019: 24.01%) and the growth rate used to extrapolate the cash flow of KOALA Securities beyond the five-year period is 2.4% (2019: 2%). Based on the assessment, the directors considered that impairment of goodwill is not required to be made in the consolidated financial statements.

If the discount rate for goodwill assessment was revised from 16.93% to 17.78% (i.e. 5% higher) whilst other parameters remain constant, impairment of goodwill amounted to approximately HK\$1,351,000 would be recognised for the current year.

18. OTHER INTANGIBLE ASSETS

	Securities brokerage licence	
	2020 HK\$'000	2019 HK\$'000
COST		
At beginning and end of the year	20,000	20,000

The securities brokerage licence is held by a subsidiary, KOALA Securities. Under the securities brokerage licence, KOALA Securities is entitled to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance.

Impairment assessments for securities brokerage licence with indefinite useful life

Management assesses impairment of securities brokerage licence with indefinite useful life annually using the value in use method calculated based on cash flow projections of the business of provision of securities placing and brokerage services undertaken by KOALA Securities (*Note 18*) to which the intangible asset is related.

Based on the impairment assessment, management considers that no impairment loss on the intangible asset is required to be made in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

19. LOANS AND INTERESTS RECEIVABLE

	2020 HK\$'000	2019 HK\$'000
Loans and interests receivable thereon		
– within one year	48,679	63,550
– in the second to fifth years	529	–
	49,208	63,550

	2020 HK\$'000	2019 HK\$'000
Analysed for reporting as:		
Non-current asset	529	–
Current assets	48,679	63,550
	49,208	63,550

Movements during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	63,550	54,800
Loans made by the Group	16,300	17,700
Interests on loans and interests receivable recognised	10,370	14,701
Loans and interests repaid	(41,012)	(23,651)
Impairment loss recognised	–	–
At end of the year	49,208	63,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

19. LOANS AND INTERESTS RECEIVABLE (Continued)

Details of the loans and interests receivable as at 31 December 2020 are as follows:

Loan principal amount HK\$'000	Interest rate	Maturity date	Security pledged
9,000	36% per annum	14 August 2020 (note b(ii))	Nil
10,000	30% per annum	5 September 2020 (note b(ii))	Nil
1,300	12% per annum	18 November 2020 (note b(iii))	Nil
2,000	12% per annum	8 January 2021	Nil
2,700	12% per annum	10 January 2021	Nil
4,000	12% per annum	26 February 2021	Nil
3,500	24% per annum	28 February 2021	Nil
2,000	6% per annum	27 March 2021	Nil
2,000	12% per annum	15 April 2021	Nil
3,000	12% per annum	17 June 2021	Nil
310	12% per annum	18 August 2021	Nil
3,120	10% per annum	6 November 2021	Nil
1,500	24% per annum	12 November 2021	Nil
3,000	36% per annum	21 December 2021	Nil
722	4% per annum	2 July 2024	Nil
48,152			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

19. LOANS AND INTERESTS RECEIVABLE (Continued)

Details of the loans and interests receivable as at 31 December 2019 are as follows:

Loan principal amount HK\$'000	Interest rate	Maturity date	Security pledged
470	12% per annum	17 February 2020	Nil
4,000	12% per annum	26 February 2020	Nil
2,000	12% per annum	4 March 2020	Nil
2,000	6% per annum	26 March 2020	Nil
2,000	6% per annum	27 March 2020	Nil
5,000	24% per annum	2 April 2020	Nil
6,800	10% per annum	1 June 2020	Nil
5,000	24% per annum	30 June 2020	Nil
5,000	24% per annum	3 July 2020	Nil
3,000	36% per annum	10 July 2020	Nil
10,000	36% per annum	14 August 2020	Nil
10,000	30% per annum	5 September 2020	Nil
1,500	12% per annum	18 November 2020	Nil
1,500	24% per annum	11 December 2020	Nil
<u>58,270</u>			

Notes:

- (a) Loans and interests receivable are to be settled by the borrowers at the respective maturity dates.
- (b) The loans and interests receivable as at 31 December 2020 are not yet past due as at that date except the following:
- (i) The loan receivable with the principal amount of HK\$9,000,000 past due as at 31 December 2020 was repaid with amount of HK\$7,200,000 in March of 2021 and in process of renewal negotiation.
 - (ii) The loan receivable with the principal amount of HK\$10,000,000 past due as at 31 December 2020 was repaid with amount of HK\$8,000,000 in March of 2021 and in process of renewal negotiation.
 - (iii) The loan receivable with the principal amount of HK\$1,300,000 past due as at 31 December 2020 was repaid in full in January of 2021.

The loans and interests receivable as at 31 December 2020 were assessed by the management of their expected credit losses on an individual basis. The measurement of such losses is based on accounting policy. The expected credit losses of the loans and interests receivable respect of both of the years ended 31 December 2020 and 31 December 2019 were estimated to be insignificant, accordingly impairment losses on the loans and interests receivable have not been recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

20. ACCOUNTS RECEIVABLE

	2020 HK\$'000	2019 HK\$'000
Accounts receivable from business of securities brokerage from		
– clearing house, brokers and cash clients	34,223	59,951
– margin clients	45,248	3,836
Other accounts receivable	79,471	63,787
	206	53
Less: impairment losses recognised	79,677	63,840
	–	–
	79,677	63,840

Accounts receivable from the business of securities brokerage

Cleaning house, brokers and cash clients

The settlement terms of accounts receivable from clearing house, brokers and cash clients are two days after trade date. The accounts receivable from clearing house, brokers and cash clients are not past due based on settlement terms and are not impaired. The accounts receivable from clearing house, brokers and cash clients as at 31 December 2020 were settled subsequent to that date.

No ageing analysis of the accounts receivable from clearing house, brokers and cash clients is disclosed as management of the Group is of the view that the ageing analysis does not give additional value in view of the nature of this business.

Margin clients

Margin clients receivable are secured by clients' pledged securities at fair value of approximately HK\$305,935,000 (2019: HK\$16,700,000). The amounts are repayable on demand and carrying interest from 6% to 16% (2019: 8.88% to 9.13%) per annum. Including in the accounts receivable from margin clients are receivable amounted to HK\$2,978,000 (2019: Nil) which are past due at the end of the reporting period and are not impaired as the management considers that there has not been a significant changes in credit quality of the margin clients and the receivables have been secured by pledged securities of these clients.

In respect of accounts receivable from cash clients which are past due but not impaired at the end of the reporting period, the ageing analysis (from settlement date) is as follows:

	2020 HK\$'000	2019 HK\$'000
0-30 days	–	–
31-60 days	–	–
Over 60 days	2,978	–
	2,978	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

20. ACCOUNTS RECEIVABLE (Continued)

Other accounts receivable

The following is an ageing analysis of other accounts receivable based on the invoice date, at the end of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Within 30 days	206	53

21. AMOUNT DUE FROM NON-CONTROLLING INTERESTS

The amount due from non-controlling interests is unsecured, interest free and repayable on demand.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Equity securities listed in Hong Kong, at fair value (Note 38(c)(i))	41,246	47,798

23. BANK BALANCES AND CASH

	2020 HK\$'000	2019 HK\$'000
Bank balances and cash		
– trust accounts (note (i))	53,263	42,578
– general bank accounts and cash (note (ii))	126,065	98,594
	179,328	141,172

Notes:

- (i) The Group receives and holds money deposited by clients and other institutions in the course of its regulated securities brokerage business. These clients' monies are maintained in one or more trust bank accounts and bear interest at commercial rates. The Group has recognised the corresponding accounts payable to respective clients and other institutions. The Group currently does not have an enforceable right to offset those payables with the deposits placed.
- (ii) The general bank accounts and cash comprise cash held by the Group and bank deposits bearing interest at commercial rates with original maturity of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

24. ACCOUNTS PAYABLE

	2020 HK\$'000	2019 HK\$'000
Accounts payable from business of securities brokerage to clearing house, brokers and cash clients	78,999	56,705

Accounts payable from business of securities brokerage

The settlement terms of accounts payable to clearing house, brokers and cash clients are two days after trade date. The accounts payable as at 31 December 2020 were settled subsequent to that date.

No ageing analysis of the accounts payable to clearing house, brokers and cash clients is disclosed as management of the Group is of the view that the ageing analysis does not give additional value in view of the nature of this business.

25. OTHER PAYABLE AND ACCRUALS

	2020 HK\$'000	2019 HK\$'000
Other payable	9,000	9,183
Accrued charges	3,191	3,794
	12,191	12,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

26. LEASE LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Lease liabilities payable		
within one year	2,253	346
more than one year	2,586	–
	4,839	346
Analysed for reporting purpose:		
Classified under		
– current liabilities	2,253	346
– non-current liabilities	2,586	–
	4,839	346

27. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount due to non-controlling interests is unsecured, interest free and repayable on demand.

28. OTHER BORROWING

	2020 HK\$'000	2019 HK\$'000
Current		
Other borrowing repayable within one year included in current liabilities	11,000	–

The other borrowing amounted to HK\$11,000,000 (2019: Nil) was made by a third party during the year which was unsecured and carried interest at 11% per annum. This borrowing was repaid by the Group at the date of its maturity on 12 January 2021, was unsecured and settled on 12 January 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

29. CORPORATE BONDS PAYABLE

	2020 HK\$'000	2019 HK\$'000
Carrying amount of corporate bonds payable due on:		
– 29 September 2021	8,753	7,952
– 9 March 2022	9,398	9,216
	18,151	17,168

	2020 HK\$'000	2019 HK\$'000
Analysed for reporting purposes:		
Classified under		
– current liabilities (payable within one year)	8,753	–
– non-current liabilities (payable in the second to fifth years)	9,398	17,168
	18,151	17,168

Movements in the corporate bonds payable are as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	17,168	16,160
Interest on corporate bonds payable accrued (Note 7)	983	1,008
At end of the year	18,151	17,168

As at 31 December 2020, the corporate bonds payable with the principal amount of HK\$20,000,000 (2019: HK\$20,000,000) remained outstanding. Interests on the bonds due on 29 September 2021 and 9 March 2022 are calculated at the effective interest rate of 8.78% (2019: 8.78%) per annum and 4.92% (2019: 4.92%) per annum respectively. Details of the corporate bonds payable outstanding as at 31 December 2020 and 31 December 2019 are as follows:

	Corporate bonds payable due on 29 September 2021	9 March 2022
Date of issue	30 September 2014	10 September 2014
Principal amount	HK\$10,000,000	HK\$10,000,000
Interest rate	5% per annum	4% per annum
Maturity period	7 years	7.5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

30. DEFERRED TAX LIABILITIES

Movements in the deferred tax liabilities during the year are as follows:

	Fair value adjustments on business combination HK\$'000	Accelerated depreciation allowance HK\$'000	Total HK\$'000
At 1 January 2019	(3,217)	(159)	(3,376)
Credited to profit or loss	–	131	131
At 31 December 2019 and 1 January 2020	(3,217)	(28)	(3,245)
Credited to profit or loss	–	5	5
At 31 December 2020	(3,217)	(23)	(3,240)

At the end of the reporting period, the Group has unused tax losses and other deductible temporary differences totalling approximately HK\$4,746,000 (2019: HK\$4,140,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these deductible temporary differences due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

31. SHARE CAPITAL

	Number of ordinary shares HK\$0.01 each '000	Nominal amount HK\$'000
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	20,000,000	200,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	2,783,360	27,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

32. SHARE OPTION SCHEME

The Group adopted a share option scheme (the “**Scheme**”) which has become effective on 15 June 2012. In accordance with the Scheme, share options may be granted to any employees, consultants or professional advisors, and suppliers or customers of the Group.

The exercise price of the options granted is the highest of (i) the closing price of the Company’s shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Company’s shares for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of the share. The options are exercisable at the grant date and have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options of the Company is HK\$1.00. The exercise period of the share options granted is determined by the Board of Directors.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

32. SHARE OPTION SCHEME (Continued)

The number of share options outstanding and their exercise prices are as follows:

	2020		2019	
	Weighted average exercise price HK\$	Number of share options granted to parties other than directors and employees '000	Weighted average exercise price HK\$	Number of share options granted to parties other than directors and employees '000
Outstanding at beginning of the year	0.666	21,200	0.666	21,200
Forfeited during the year	0.666	(21,200)	–	–
Outstanding at end of the year	–	–	0.666	21,200
Exercisable at end of the year	–	–	0.666	21,200

No share option expense has been recognised by the Group for the year ended 31 December 2020 (2019: Nil) in relation to share options granted by the Company. The share options outstanding at 31 December 2019 could be exercised during the period from 25 November 2010 to 24 November 2020 at the exercise price of HK\$0.666 per share. The weighted average remaining contractual life of share options granted and outstanding at 31 December 2019 is 0.9 year.

33. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The contribution paid or payable to the schemes by the Group in respect of the year which were charged to profit or loss amounted to approximately HK\$220,000 (2019: HK\$235,000).

Apart from the above, the Group has no significant obligations under retirement benefit schemes at the end of both of the years presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payable (included in other payables and accruals) HK\$'000	Lease liabilities HK\$'000	Corporate bonds payable HK\$'000	Other borrowing HK\$'000	Total HK\$'000
At 31 December 2018	–	–	16,160	–	16,160
Adjustment upon application of HKFRS 16	–	2,732	–	–	2,732
Financing cash outflows	(49)	(2,386)	–	–	(2,435)
Finance costs	49	–	1,008	–	1,057
At 31 December 2019 and 1 January 2020	–	346	17,168	–	17,514
Recognition of lease of properties	–	6,923	–	–	6,923
Financing cash inflows	–	–	–	11,000	11,000
Financing cash outflows	(148)	(2,430)	–	(469)	(3,047)
Finance costs	148	–	983	469	1,600
At 31 December 2020	–	4,839	18,151	11,000	33,990

35. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2020 and 31 December 2019, the Group did not have any contingent liabilities and commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

36. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	2020 HK\$'000	2019 HK\$'000
Salaries and other short-term benefits	2,431	1,906
Pension scheme contribution	67	36
	2,498	1,942

37. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debts (bank and other borrowings less bank balances and cash (general account)) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking consideration of future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities as recognised at the reporting dates are categorised as follows:

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Financial assets at FVTPL	41,246	47,798
Financial assets at amortised cost		
Loans and interests receivable	49,208	63,550
Accounts receivable	79,677	63,840
Amount due from non-controlling interests	–	245
Bank balances – trust accounts	53,263	42,578
Bank balances and cash – general accounts	126,065	98,594
	308,213	268,807
	349,459	316,605
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable, other payable and accruals	88,838	67,210
Corporate bonds payable	18,151	17,168
Amount due to non-controlling interests	10,400	10,400
Other borrowing	11,000	–
Lease liabilities	4,839	346
	133,228	95,124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, loans and interests receivable, accounts receivable, bank balances and cash, accounts payable, other payable and accruals, corporate bonds payable, amount due to non-controlling interests, other borrowing and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner. There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Currency risk

Foreign exchange risk arises when the group entities enter into transactions denominated in a currency other than their functional currency. The Group's monetary assets and liabilities of group entities are mainly denominated in Hong Kong dollars, which is also their functional currency. There are no significant impacts arising from fluctuations of exchange rates.

The Group currently does not have a foreign currency hedging policy. However, the management will closely monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

No sensitivity analysis on currency risk is presented as there were no significant impacts on the Group's profit/loss after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has exposure at the end of reporting period.

Interest rate risk

The Group is exposed to interest rate risk as the group entities may borrow funds at both fixed interest rates and floating interest rates. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings. Although the board of directors accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors consider that the Group's exposure to interest rate risk of bank deposits, which are short term in nature, is not significant, accordingly no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (Continued)

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

The Group's loans and interests receivable and borrowings carry interests at fixed interest rates, analysed below:

The Group

	2020		2019	
	Effective interest rate	Carrying amount HK\$'000	Effective interest rate	Carrying amount HK\$'000
Loans and interests receivable (Note 19)	6%-36%	49,208	6%-36%	63,550
Fixed rate borrowings				
– corporate bonds payable (Note 29)	4.95%-8.78%	18,151	4.92%-8.78%	17,168
– other borrowing	11%	11,000	–	–

Sensitivity analysis

The Group had no floating rate borrowings at end of each of the reporting periods presented. Accordingly, there would be no impact on the results of the Group for the year (2019: Nil) upon any change in interest rate on floating rate borrowings assuming that no floating rate borrowings were outstanding during the year.

Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. Management of the Company manages this exposure by maintaining a portfolio of investments with different risk and return profiles. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

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

If equity prices were 10% higher/lower, the post-tax profit for the year would increase/decrease by HK\$3,444,000 respectively (2019: post-tax profit for the year would increase/decrease by HK\$3,991,300). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment provision

As at 31 December 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model, upon application of HKFRS 9, on accounts receivable individually or based on provision matrix.

The Group performs impairment assessment under ECL model on loans and interests receivable and bank balances based on 12-month ECL, except the loans which are past due or repayment more than 1 year based on life time ECL.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Based on the Group's internal credit rating, no material impairment loss allowance is recognised for loans and interests receivable and bank balances.

The Group is exposed to concentration of credit risk on:

- Loans and interests receivable which are provided to individual third parties with no history of default; and
- Liquid funds which are deposited with several banks with high credit ratings.

The Group's concentration of credit risk by geographical locations is in Hong Kong as all receivables are substantially arisen in Hong Kong for both years.

Other than above, the Group does not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment provision (Continued)

The tables below is the internal credit policy of the Group:

Internal credit rating	Description	Accounts receivable	Other financial assets /other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date.	Lifetime ECL	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL	Lifetime ECL
In default	Interest and/or principal repayments are 60 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL	Lifetime ECL
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

The table below details the credit risk exposures of the Group's material financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	31 December 2020 HK'000	31 December 2019 HK'000
Accounts receivable	20	N/A	(Note)	Lifetime ECL (provision matrix)	79,677	63,840
Loans and interests receivable	19	N/A	Low risk	12-month ECL	10,842	63,550
			Watch List	12-month ECL	18,718	–
			Doubtful	Lifetime ECL	19,647	–
Bank balances – trust accounts	23	AA+	N/A	12-month ECL	53,263	42,578
Bank balances – general accounts	23	AA+	N/A	12-month ECL	126,065	98,594

Note: For accounts receivable, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime expected credit loss. Except for debtors with significant outstanding balances, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and borrowers and are adjusted for forward-looking information that is available without undue cost or effort. For the years ended 31 December 2020 and 31 December 2019, no material impairment allowance on accounts receivable and loans and interests receivable is provided based on the provision matrix.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

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

The Group relies on operating activities, corporate borrowings and issuance of new shares as a significant source of liquidity. As at 31 December 2020, the Group has no available unutilised banking facilities (2019: Nil).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interests that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (Continued)

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

The Group

At 31 December 2020	Weighted average interest rate	Within 1 year HK\$'000	More than 1 year but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Non-derivative financial assets						
Loans and interests receivable	4%-36%	52,749	554	-	53,303	49,208
Accounts receivable	-	79,677	-	-	79,677	79,677
Bank balances						
– trust accounts	0.5%	53,263	-	-	53,263	53,263
Bank balances and cash						
– general accounts	0.5%	126,065	-	-	126,065	126,065
		311,754	554	-	312,308	308,213
Non-derivative financial liabilities						
Accounts payable, other payable and accruals	-	88,838	-	-	88,838	88,838
Corporate bonds payable	4% & 5%	10,614	10,560	-	21,174	18,151
Other borrowing	11%	11,039	-	-	11,039	11,000
Amount due to non-controlling interests	-	10,400	-	-	10,400	10,400
Lease liabilities	3%	2,367	2,631	-	4,998	4,839
		123,258	13,191	-	136,449	133,228
At 31 December 2019	Weighted average interest rate	Within 1 year HK\$'000	More than 1 year but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Non-derivative financial assets						
Loans and interests receivable	6%-36%	71,019	-	-	71,019	63,550
Accounts receivable and other receivables	-	63,840	-	-	63,840	63,840
Amount due from non-controlling interests	-	245	-	-	245	245
Bank balances						
– trust accounts	0.5%	42,578	-	-	42,578	42,578
Bank balances and cash						
– general accounts	0.5%	98,594	-	-	98,594	98,594
		276,276	-	-	276,276	268,807
Non-derivative financial liabilities						
Accounts payable, other payable and accruals	-	67,210	-	-	67,210	67,210
Corporate bonds payable	4% & 5%	-	22,390	-	22,390	17,168
Amount due to non-controlling interests	-	10,400	-	-	10,400	10,400
Lease liabilities	-	347	-	-	347	346
		77,957	22,390	-	100,347	95,124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement

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

The Group's financial assets at FVTPL, representing equity securities listed in Hong Kong, are measured at fair value at the end of the 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 input used.

	Fair value as at		Fair value hierarchy	Valuation technical(s) and key inputs
	31 December 2020	2019		
	HK\$'000	HK\$'000		
Financial assets at FVTPL				
Listed securities (Note 22)	41,246	47,798	Level 1	Quoted bid prices in an active market

The fair value of all the listed securities as at 31 December 2020 is measured based on the quoted closing prices as at that date.

There were no transfer of the financial assets between the levels in both of the years presented.

- (ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

- (iii) Reconciliation of Level 3 fair value measurements

The financial assets at FVTPL are measured at fair value on Level 1 fair value measurement. Reconciliation of Level 3 fair value measurements is not presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Investments in subsidiaries	–	–
	–	–
Current assets		
Prepayments, deposits and other receivable	1,374	1,414
Amounts due from subsidiaries	267,318	264,925
Bank balances and cash – general accounts	14,748	4,218
	283,440	270,557
Current liabilities		
Corporate bonds payable	8,753	–
Other payable and accruals	558	532
Other borrowing	11,000	–
Income tax payable	4,840	5,375
	25,151	5,907
Net current assets	258,289	264,650
Total assets less current liabilities	258,289	264,650
Non-current liabilities		
Corporate bonds payable	9,399	17,168
	9,399	17,168
Net assets	248,890	247,482
Capital and reserves		
Share capital	27,833	27,833
Reserves	221,057	219,649
Total equity	248,890	247,482

The Company's statement of financial position was approved and authorised for issue by the board of directors on 25 March 2021 and is signed on its behalf by:

Kwan Kar Ching
Director

Luk Kin Ting
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movements of the reserves of the Company are as follows:

	Share premium HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2019	653,399	7,410	19,550	(463,013)	217,346
Profit and total comprehensive income for the year	–	–	–	2,303	2,303
At 31 December 2019 and at 1 January 2020	653,399	7,410	19,550	(460,710)	219,649
Profit and total comprehensive income for the year	–	–	–	1,408	1,408
Share option forfeited	–	(7,410)	–	7,410	–
At 31 December 2020	653,399	–	19,550	(451,893)	221,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

40. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period:

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly		Company		
				2020	2019	2020	2019	2020	2019	
*Modern World Group Limited	British Virgin Islands ("BVI")	Ordinary	US\$5	-	100	-	-	-	100	Inactive
Ever Wealth Capital Holdings Limited	BVI	Ordinary	US\$2	100	100	-	-	100	100	Investment holding
*Era Smart Trading Limited	Hong Kong	Ordinary	HK\$1	-	-	-	100	-	100	Inactive
Honest Smart Investment Limited	Hong Kong	Ordinary	HK\$1	-	-	100	100	100	100	Provision of management services to group companies and securities investment
Frame Holding Limited	BVI	Ordinary	US\$1	100	100	-	-	100	100	Investment holding
Winning Force Limited	Hong Kong	Ordinary	HK\$1	-	-	100	100	100	100	Inactive
Leading Nation Investment Limited	BVI	Ordinary	US\$1	100	100	-	-	100	100	Investment holding
Honest Smart Finance Limited	Hong Kong	Ordinary	HK\$1	-	-	100	100	100	100	Money lending
Prime Paradise Limited	BVI	Ordinary	US\$100	-	-	80	80	80	80	Investment holding
KOALA Securities Limited	Hong Kong	Ordinary	HK\$60,000,000	-	-	80	80	80	80	Provision of securities placing and brokerage services
KOALA Capital Management Limited	Hong Kong	Ordinary	HK\$500,100	-	-	41	41 (Note)	41	41 (Note)	Provision of asset management services
Ever Up Capital Investment Limited	Hong Kong	Ordinary	HK\$1	-	-	100	100	100	100	Inactive
Genius Founder Limited	BVI	Ordinary	US\$1	100	100	-	-	100	100	Properties leasing
KOALA Land Limited	Hong Kong	Ordinary	HK\$1	-	-	100	100	100	100	Inactive

* The Company was disposed during the year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

40. SUBSIDIARIES (Continued)

Note:

KOALA Capital Management Limited is 51% owned by Prime Paradise Limited which is in turn 80% owned by the Company.

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

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020	2019	2020	2019
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prime Paradise	(Note a)	20	20	737	1,016	8,779	8,042

Notes:

- Prime Paradise was incorporated in the BVI and, through its subsidiaries, is principally engaged in provision of securities placing and brokerage services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

40. SUBSIDIARIES (Continued)

Summarised financial information in respect of the Company's subsidiaries at 31 December 2020 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Prime Paradise

	In respect of the year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Current assets	170,100	149,249
Non-current assets	20,012	20,077
Current liabilities (Note)	(134,823)	(118,559)
Non-current liabilities	(3,218)	(3,218)
Equity attributable to owners of the Company	43,293	39,509
Non-controlling interests	8,779	8,042
Revenue	12,383	23,703
Expenses	(8,051)	(15,613)
Profit for the year	4,332	8,090
Profit and total comprehensive income attributable to owners of the Company	3,595	7,073
Profit and total comprehensive income attributable to non-controlling interests	737	1,016
Profit for the year	4,332	8,089
Net cash inflow from operating activities	5,394	1,148
Net cash inflow from investing activities	81	288
Net cash inflow	5,475	1,436

Note: The current liabilities include amounts due to intragroup companies amounted to HK\$44,646,000 (2019: HK\$44,646,000) which have been eliminated in the preparation of the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

41. EVENTS AFTER THE END OF THE REPORTING PERIOD

- a) Subsequent to the end of the reporting period, the authorised and issued shares of the Company were consolidated on the basis that every twenty of the issued and unissued shares of HK\$0.01 each of the Company were consolidated into one share of the Company respectively with the par value of HK\$0.20 each. The share consolidation of the Company was effective on 22 March 2021 and the issued share capital of the Company as at the date of approval of these consolidated financial statement is HK\$27,833,000 comprising 139,167,997 shares with the par value of HK\$0.20 each.
- b) Subsequent to the end of the reporting period, the Company through its indirectly wholly-owned subsidiary, Prime Paradise Limited, acquired 49% shares in KOALA Capital Management Limited (“**KCML**”) as agreed with Mr. Yung Yu Ming, the owner of the 49% entire issued share capital of KCML. The acquisition was completed on 18 March 2021 at the consideration HK\$200,000.