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 2019

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

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

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

*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
Ms. Ng Yau Kuen, Carmen

COMPANY SECRETARY

Mr. Tse Chi Shing

AUDIT COMMITTEE

Ms. Ng Yau Kuen, Carmen *(Committee Chairlady)*
Mr. Hung Cho Sing
Mr. Luk Kin Ting

NOMINATION COMMITTEE

Ms. Kwan Kar Ching *(Committee Chairlady)*
Mr. Hung Cho Sing
Ms. Ng Yau Kuen, Carmen

REMUNERATION COMMITTEE

Ms. Ng Yau Kuen, Carmen *(Committee Chairlady)*
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

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Everbright Centre
108 Gloucester Road
Wan Chai, Hong Kong

COMPLIANCE OFFICER

Ms. Kwan Kar Ching

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. BOX 1586, 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

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	87,011	63,906	15,960	41,649	**38,957**
Cost of sales and services	(87,178)	(57,691)	(3,059)	(2,799)	**(2,261)**
Gross (loss)/profit	(167)	6,215	12,901	38,850	**36,696**
Other income, gains and losses (net)	(206,853)	(47,009)	7,553	5,719	**1,579**
Selling and distribution expenses	(62)	(219)	(818)	(78)	**(53)**
Administrative expenses	(42,456)	(31,030)	(29,022)	(25,016)	**(24,782)**
Finance costs	(14,999)	(7,100)	(6,467)	(3,350)	**(1,057)**
Share of loss of associates	(76)	(91)	–	–	**–**
(Loss)/profit before tax	(264,613)	(79,234)	(15,853)	16,125	**12,383**
Income tax	(799)	875	1,330	(2,849)	**(2,321)**
(Loss)/profit for the year	(265,412)	(78,359)	(14,523)	13,276	**10,062**
Non-controlling interests	31,222	6,462	4,782	(1,651)	**(1,016)**
(Loss)/profit attributable to owners of the Company	(234,190)	(71,897)	(9,741)	11,625	**9,046**

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	193,241	230,786	499,322	419,122	**378,907**
Total liabilities	(133,732)	(124,501)	(298,132)	(161,557)	**(111,280)**
Total assets less total liabilities	59,509	106,285	201,190	257,565	**267,627**
Non-controlling interests	45,466	1,719	6,238	(7,026)	**(8,042)**
Equity attributable to owners of the Company	104,975	108,004	207,428	250,539	**259,585**

CHAIRLADY'S STATEMENT

Dear Shareholders,

On behalf of the board of the Directors (the "**Board**"), I am pleased to present the audited consolidated results of KOALA Financial Group Limited and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019.

OVERVIEW OF FINAL RESULTS

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

The Group recorded a net profit of approximately HK$10.1 million for the year ended 31 December 2019, representing a decrease as compared with a net profit of approximately HK$13.3 million for the same period of 2018.

(i) Securities brokerage, share placements and underwriting

Hong Kong equity markets were significantly affected by the US-China trade tensions and the Hong Kong political uncertainty. Shares fell overall for a third consecutive quarter, offsetting the gains of the first quarter 2019. Our segmental revenue from securities brokerage, share placements, underwriting services was decreased from approximately HK$27.1 million for the year ended 31 December 2018 to HK$23.3 million for the 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

There is enhanced participation in money lending market in order to diversify our business, this help us to capture new market opportunities and to enhance our overall margin. The thriving money lending business has been developed for more than 3 years and our client base is ever growing. It inspired us to increase resources input onto it in order to generate higher income for the Company. We are incubating the secured mortgage loan business to complement our existing loan business. Plans on increase public advertisement and brand building are undergoing and to be engaged in the forthcoming year to widen the spectrum of our business.

During the year, the interest income from money lending service was increased from approximately HK$14.0 million for the year ended 31 December 2018 to approximately HK$14.7 million for the year. 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.

MARKETING EFFORT

In order to raise our brand awareness, we had launched different approaches such as increasing the budgets spent on social media and sponsoring various charitable events. In the future, we will strengthen our branding continuously by means of advertisements, engaging PR agency and sponsorship of the public events to reinforce our positive image amongst the public. We believe all of these could broaden and diversify our client base for constant business inflow to maintain sustainable business and also benefit the community.

LOOKING AHEAD

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. Looking forward, we will continue to develop current businesses and at the same time proactively explore new business areas and seek suitable investment opportunities.

Besides, 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 2020

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 2019, 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$23.3 million, representing an decrease of approximately HK$3.8 million as compared to approximately HK$27.1 million in the corresponding year of 2018. It accounted for approximately 59.8% (2018: 65.2%) 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$14.7 million (2018: HK$14.0 million) from granting loans to both corporate and individual clients. It accounted for approximately 37.7% (2018: 33.5%) of the Group's revenue during the year. The outstanding principal amount of loan receivables as at 31 December 2019 was HK$58.3 million (2018: HK$52.8 million). During the year, the Group did not record any doubtful or bad debt in its money lending activities.

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 2019, the Group managed a portfolio of listed equity investment with fair value of approximately HK$47.8 million (2018: HK$27.3 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$4.5 million (2018: gain of approximately HK$3.8 million) and a realised gain of approximately HK$5.8 million (2018: loss of approximately HK$0.8 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 2019, the fair value of the investment properties amounted to approximately HK$19.6 million (2018: HK$19.9 million).

During the year, the rental income was approximately HK$0.6 million (2018: HK$0.5 million). It accounted for approximately 0.9% of the Group's revenue during the year.

OUTLOOK AND PROSPECTS

The directors of the Group consider that the outbreak of the 2019 Novel Coronavirus ("**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 receivables, 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 2019, the revenue of the Group decreased to approximately HK$39.0 million (2018: HK$41.6 million), representing a decrease of approximately 6.3% when compared with that of 2018. The reason for the decrease in turnover were mainly due to the decrease of the segmental turnover from the segment of securities brokerage, share placements, underwriting services from approximately HK$27.1 million for the year ended 31 December 2018 to approximately HK$23.3 million for the year.

During the year ended 31 December 2019, the Group's administrative expenses were approximately HK$24.8 million (2018: HK$25.0 million), which decreased approximately 0.8% as compared with the corresponding period of last year.

During the year ended 31 December 2019, the Group's finance costs amounted to approximately HK$1.1 million (2018: HK$3.4 million), representing a significant decrease of approximately 67.6%. The decrease in finance costs was mainly caused by a full conversion of convertible bonds by the bondholder on 30 May 2018.

Due to the above reasons, the Group recorded a net profit of approximately HK$10.1 million for the year ended 31 December 2019, representing a decrease as compared with a net profit of approximately HK$13.3 million for the same period of 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2019, 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 2019, the Group had cash and bank balances of approximately HK$98.6 million (2018: HK$118.2 million).

As at 31 December 2019, the Group's total indebtedness comprised of corporate bonds of approximately HK$17.2 million (2018: HK$16.2 million).

As at 31 December 2019, the Group's outstanding number of issued shares of HK$0.01 each was 2,783,359,958 shares (2018: 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 2019 was 6.0% (2018: 5.9%).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the Note 37 to the consolidated financial statements, the Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group held approximately HK$47.8 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 %
Ban Loong Holdings Limited	1	Bermuda	(88)	3,300	6.9	1.2
EJE (Hong Kong) Holdings Limited	2	Cayman Islands	(4,057)	7,770	16.3	2.9
Eternity Technology Holdings Limited	3	Cayman Islands	2,598	6,540	13.7	2.4
Hands Form Holdings Limited	4	Cayman Islands	270	4,715	9.9	1.8
Hong Kong Education (Int'l) Investments Limited	5	Cayman Islands	124	7,680	16.1	2.9
Shineroad International Holdings Limited	6	Cayman Islands	163	4,878	10.2	1.8
Others		N/A	(3,472)	12,915	27.0	4.8
			(4,462)	47,798	100	17.8

Notes:

1. Ban Loong Holdings Limited (stock code: 30) is principally engaged in money lending business and trading of goods and commodities. No dividend was received during the year. According to the latest published financial statements of Ban Loong Holdings Limited, it had net asset value of approximately HK$776.1 million as at 30 September 2019.

2. 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$279.8 million as at 30 September 2019.

3. 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 RMB227.1 million as at 30 June 2019.

4. 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$92.3 million as at 30 June 2019.

5. 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$218.2 million as at 30 June 2019.

6. 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 RMB287.1 million as at 30 June 2019.

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 2019, the Group did not have any significant capital commitments (2018: 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 2018 and 2019, the Group did not have any substantial pledge of assets.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2019, the Group had about 24 (2018: 30) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK$13.4 million (2018: HK$11.9 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.

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 2019 was as follows:

Intended use of the Proceeds as disclosed in the Announcement	**Actual use of the Proceeds from the Completion to 31 December 2019**
Approximately HK$70.0 million for the development of securities business	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 is yet to be applied.
Approximately HK$20.0 million for the development of money lending business	1) Applied as intended.
Approximately HK$19.2 million for general working capital of the Group and/or investment opportunities as may be identified from time to time	1) Applied as intended.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Ms. Kwan Kar Ching ("Ms. Kwan"), aged 30, 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 4 years of experience in banking, asset management and investment.

Ms. Hsin Yi-Chin ("Ms. Hsin"), aged 33, 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 79, 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, Kowloon and New Territories 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), Enerchina Holdings 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 35, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Ms. Ng Yau Kuen, Carman ("Ms. Ng"), aged 44, had worked at PricewaterhouseCoopers for 13 years in the Financial Services Assurance Department. Since leaving PricewaterhouseCoopers, she has been a practicing certified public accountant. Ms. Ng holds a bachelor's degree of business administration from the Chinese University of Hong Kong, a master's degree of business administration and a master's degree of laws in corporate and financial law from the Hong Kong University of Science and Technology and the University of Hong Kong, respectively. She is also a fellow member of the Hong Kong Institute of Certified Public Accountants.

Ms. Ng is currently an independent non-executive director of Get Nice Financial Group Limited (stock code: 1469) and Simplicity Holding Limited (stock code: 8367). She is also an independent non-executive director of IEV Holdings Limited, the shares of which are listed on the Singapore Exchange.

SENIOR MANAGEMENT

Mr. Tse Chi Shing ("Mr. Tse"), aged 36, 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 2019, 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. One of the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 6 June 2019 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 2019. 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 2019.

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
Ms. Ng Yau Kuen, Carmen

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.

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 2019, the Board held 6 meetings and the attendance of each Director is as follows:

	Number of meetings attended/eligible to attend
Executive Directors:	
Ms. Kwan Kar Ching	6/6
Ms. Hsin Yi-Chin	6/6
Independent non-executive Directors:	
Mr. Hung Cho Sing	6/6
Mr. Luk Kin Ting	6/6
Ms. Ng Yau Kuen, Carmen (appointed on 12 April 2019)	4/4
Mr. Kam Hou Yin, John (resigned on 12 April 2019)	0/2

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.

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 2019, the Directors participated in the following continuous professional development activities:

Directors	Type of trainings
	(Notes)
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 (appointed on 12 April 2019)	a, b
Mr. Kam Hou Yin, John (resigned on 12 April 2019)	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.

REMUNERATION COMMITTEE

The remuneration committee of the Company currently comprises 1 executive Director, namely Ms. Kwan Kar Ching, and two independent non-executive Directors, namely Ms. Ng Yau Kuen, Carmen and Mr. Hung Cho Sing. Ms. Ng Yau Kuen, Carmen is the committee chairlady. 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 2019, 2 meeting of the remuneration committee have been held with the following attendances:

	Number of meetings attended/eligible to attend
Mr. Hung Cho Sing	2/2
Ms. Kwan Kar Ching	2/2
Ms. Ng Yau Kuen, Carmen (appointed on 12 April 2019)	0/0
Mr. Kam Hou Yin, John (resigned on 12 April 2019)	1/2

Details of the Director's remuneration are set out in Note 10 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company currently comprises 1 executive Director, namely Ms. Kwan Kar Ching and two independent non-executive Directors, namely Mr. Hung Cho Sing and Ms. Ng Yau Kuen, Carmen. 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.

For the year ended 31 December 2019, 2 meeting of the nomination committee have been held with the following attendances:

	Number of meetings attended/eligible to attend
Ms. Kwan Kar Ching	2/2
Mr. Hung Cho Sing	2/2
Ms. Ng Yau Kuen, Carmen (appointed on 12 April 2019)	0/0
Mr. Kam Hou Yin, John (resigned on 12 April 2019)	1/2

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;

– 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 Ms. Ng Yau Kuen, Carmen, Mr. Hung Cho Sing and Mr. Luk Kin Ting with Ms. Ng Yau Kuen, Carmen as the committee chairlady.

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 2019, 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
Ms. Ng Yau Kuen, Carmen (appointed on 12 April 2019)	3/3
Mr. Kam Hou Yin, John (resigned on 12 April 2019)	0/1

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.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the fees paid and payable to the external auditor in respect of audit services to the Group were approximately HK$658,000 (2018: HK$655,000). The fees for non-audit related services performed by the external auditor were HK$39,100 (2018: HK$41,900).

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.

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 2019.

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 2019.

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 44 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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 34 and 35.

The Directors do not recommend the payment of any dividends in respect of the year (2018: Nil).

BUSINESS REVIEW AND PROSPECTS

The business review of the Group for the year ended 31 December 2019 is set out in the "Chairlady's Statement" and "Management Discussion and Analysis" on page 4 and pages 5 to 10 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 15 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 34 to the consolidated financial statements.

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 38.

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
Ms. Ng Yau Kuen, Carmen (appointed on 12 April 2019)
Mr. Kam Hou Yin, John (resigned on 12 April 2019)

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, Ms. Ng Yau Kuen, Carmen shall retire at the forthcoming annual general meeting and being eligible, offer herself for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 12 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 2019 interim report of the Company are set out below:

Ms. Ng Yau Kuen, Carmen, an independent non-executive Director, has been appointed as an independent non-executive director of IEV Holdings Limited, a company listed on the Singapore Exchange, with effect from 10 July 2019.

Mr. Hung Cho Sing, an independent non-executive Director, has tendered his resignation as the non-executive director of Universe Entertainment and Culture Group Company Limited (stock code: 1046), with effect from 31 July 2019.

Mr. Luk Kin Ting, an independent non-executive Director, has tendered his resignation as the independent non-executive director of Janco Holdings Limited (stock code: 8035), with effect from 13 September 2019.

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 2019 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 Ms. Ng Yau Kuen, Carmen 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.

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 39 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 2019.

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

As at 31 December 2019, 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%

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 2019.

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 2019, the Company had 21,200,000 (31 December 2018: 21,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 0.8% (31 December 2018: 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 2019, 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 2018: 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.

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 2019	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 December 2019
Others							
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 35 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 40 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.

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 10 and 11 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 33 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 42.5% (2018: 43.4%) of the Group's total turnover. The largest customer accounted for 12.6% (2018: 13.9%) 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.

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 13 to 20 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 2020

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恆會計師有限公司

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 34 to 116, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matters
Impairment assessments of goodwill and intangible assets with indefinite useful lives	
Refer to Notes 18 and 19 to the consolidated financial statements. 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 balance (HK$18,302,000 as at 31 December 2019) and the intangible assets (HK$20,000,000 as at 31 December 2019) as management's assessment of the "value in use" of the cash-generating units (CGUs) of this business 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.	• 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 18 and 19 to the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters

Recoverability of loans receivables and accounts receivables

Refer to Notes 20 and 21 to the consolidated financial statements.

As at 31 December 2019, the Group had loans receivables with the carrying amount of approximately HK$63,550,000. As at that date, the Group had gross accounts receivables amounted to approximately HK$63,840,000 of which no impairment provision has been made.

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

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

Our procedures in relation to management's impairment assessment of loans receivables and accounts receivables 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 reviewed the agreements and other relevant documents relating to the loans made by the Group.
- We assessed the classification and accuracy of individual balances in accounts receivables, 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 receivables 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.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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.

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

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

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

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

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

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

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

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

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

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 25 March 2020
Kwong Tin Lap
Practising Certificate Number: P01953

Unit 5-6, 7/F, Greenfield Tower, Concordia Plaza
1 Science Museum Road, Tsim Sha Tsui
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	6	**38,957**	41,649
Cost of services		**(2,261)**	(2,799)
Gross profit		**36,696**	38,850
Other income and gains	6	**6,341**	6,049
(Loss)/gain on change in fair value of investment properties	17	**(300)**	2,600
Selling and distribution expenses		**(53)**	(78)
Administrative expenses		**(24,782)**	(25,016)
Other operating expenses	7	**(4,462)**	(2,930)
Finance costs	8	**(1,057)**	(3,350)
Profit before tax	9	**12,383**	16,125
Income tax expense	12	**(2,321)**	(2,849)
Profit for the year		**10,062**	13,276
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
Exchange difference arising during the year		**–**	913
Reclassification adjustments relating to subsidiaries disposed of during the year		**–**	(176)
Other comprehensive income for the year		**–**	737
Total comprehensive income for the year		**10,062**	14,013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Profit for the year attributable to:			
Owners of the Company		**9,046**	11,625
Non-controlling interests		**1,016**	1,651
		10,062	13,276
Total comprehensive income for the year attributable to:			
Owners of the Company		**9,046**	11,917
Non-controlling interests		**1,016**	2,096
		10,062	14,013
		2019 **HK cent**	2018 HK cent
Earnings per share	*14*		
Basic		**0.33**	0.44
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**2,182**	3,413
Right-of-use assets	*16*	**336**	–
Investment properties	*17*	**19,600**	19,900
Goodwill	*18*	**18,302**	18,302
Other intangible assets	*19*	**20,000**	20,000
		60,420	61,615
Current assets			
Loans receivables	*20*	**63,550**	54,800
Accounts receivables	*21*	**63,840**	54,210
Prepayments, deposits and other receivables	*22*	**1,882**	2,718
Amount due from non-controlling interests	*23*	**245**	245
Financial assets at fair value through profit or loss	*24*	**47,798**	27,269
Bank balances – trust accounts	*25*	**42,578**	100,113
Bank balances and cash – general bank accounts and cash	*25*	**98,594**	118,152
		318,487	357,507
Current liabilities			
Accounts payables	*26*	**56,705**	112,688
Other payables and accruals	*27*	**12,977**	10,899
Rental deposits received		**155**	135
Lease liabilities	*28*	**346**	–
Amount due to non-controlling interests	*29*	**10,400**	10,400
Convertible bonds payable	*30*	**–**	–
Other borrowings	*31*	**–**	–
Income tax payable		**10,284**	7,899
		90,867	142,021
Net current assets		**227,620**	215,486
Total assets less current liabilities		**288,040**	277,101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Corporate bonds payable	*32*	**17,168**	16,160
Deferred tax liabilities	*33*	**3,245**	3,376
		20,413	19,536
Net assets		**267,627**	257,565
Capital and reserves			
Share capital	*34*	**27,833**	27,833
Reserves		**231,752**	222,706
Equity attributable to owners of the Company		**259,585**	250,539
Non-controlling interests		**8,042**	7,026
Total equity		**267,627**	257,565

The consolidated financial statements on pages 34 to 116 were approved and authorised for issue by the Board of Directors on 25 March 2020 and are signed on its behalf by:

Kwan Kar Ching	**Hsin Yi-Chin**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium account HK$'000	Convertible bonds reserve HK$'000 *(Note 28)*	Share option reserve HK$'000 *(Note 33)*	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	24,570	551,182	74,286	7,410	(292)	(449,728)	207,428	(6,238)	201,190
Profit for the year	–	–	–	–	–	11,625	11,625	1,651	13,276
Other comprehensive income for the year	–	–	–	–	292	–	292	445	737
Total comprehensive income for the year	–	–	–	–	292	11,625	11,917	2,096	14,013
Issue of shares upon conversion of convertible bonds	3,263	102,217	(74,286)	–	–	–	31,194	–	31,194
Disposal of subsidiaries	–	–	–	–	–	–	–	11,168	11,168
At 31 December 2018 and 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	**27,833**	**653,399**	**–**	**7,410**	**–**	**(429,057)**	**259,585**	**8,042**	**267,627**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Cash flows from operating activities			
Profit before tax		**12,383**	16,125
Adjustments for:			
Interest income included in other income and gains		**(332)**	(1,844)
Finance costs		**1,057**	3,350
Depreciation of property, plant and equipment		**1,240**	1,627
Depreciation of right-of-use assets		**2,396**	–
Loss/(gain) on change in fair value of investment properties		**300**	(2,600)
Impairment losses on other receivables		**–**	623
Loss on disposal of property, plant and equipment		**–**	5
Loss on disposal of subsidiaries	*37*	**–**	1,528
Net foreign exchange losses		**–**	913
Operating cash flows before movements in working capital		**17,044**	19,727
Increase in accounts receivables		**(9,630)**	(10,327)
(Increase)/decrease in loans receivables		**(8,750)**	730
Decrease/(increase) in prepayments, deposits and other receivables		**836**	(1,026)
Increase in financial assets at fair value through profit or loss		**(20,529)**	(15,043)
Decrease in bank balances – trust accounts		**57,535**	91,535
Decrease in accounts payables		**(55,983)**	(103,787)
Increase in other payables and accruals		**2,078**	4,647
Increase in rental deposits received		**20**	–
Cash used in operations		**(17,379)**	(13,544)
Income taxes paid		**(67)**	(2,597)
Net cash used in operating activities		**(17,446)**	(16,141)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Interest received		**332**	1,844
Purchase of property, plant and equipment		**(9)**	(677)
Cash outflow from disposal of subsidiaries	*37*	**–**	(28)
Net cash generated from investing activities		**323**	1,139
Cash flows from financing activities			
Interest paid	*38*	**(49)**	–
Payment of lease liabilities	*38*	**(2,386)**	–
Net cash used in financing activities		**(2,435)**	–
Net decrease in cash and cash equivalents		**(19,558)**	(15,002)
Cash and cash equivalents at beginning of the year		**118,152**	133,154
Cash and cash equivalents at end of the year		**98,594**	118,152
Analysis of cash and cash equivalents at end of the year:			
Bank balances and cash – general bank accounts and cash	*25*	**98,594**	118,152

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 44 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")

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

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

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

Other than as explained below regarding the impact of HKFRS 16 "Leases", the application of other new and amended standards effective in respect of the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) 14-Int "Determining whether an arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease has been disclosed in Notes 16 and 28.

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

HKFRS 16 Leases (Continued)

As a lessee

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

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities. Any difference at the date of initial application is recognised in the opening accumulative losses and comparative information has not been restated.

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

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for lease term ends within 12 months of the date of initial application;

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

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

(v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3%.

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	**2,774**
Lease liabilities as at 1 January 2019 (discounted at relevant incremental borrowing rate of 3%)	**2,732**
Analysed as	
Current	**2,732**
Non-current	**–**
	2,732

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	2,732

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included:

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
Non-current Assets			
Right-of-use assets included in non-current assets	–	2,732	2,732
Current Liabilities			
Lease liabilities included in current liabilities and non-current liabilities	–	2,732	2,732

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

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

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

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

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

The directors of the Company anticipate that the application of all other new and amendments to HKFRS that are not yet effective, will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on 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".

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

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

– has power over the investee;

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

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

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

When the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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.

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.

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 receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) 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 are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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 the date of initial application of HKFRS 9/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 are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets designated as at FVTOCI

Investments in financial assets 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 financial assets 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.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including accounts receivables, loans receivables, 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. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivables. The 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.

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.

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 occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 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 receivables, 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.

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 receivables are each assessed as a separate group. Loans receivables 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 receivables where the corresponding adjustment is recognised through a loss allowance account.

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.

Convertible bonds

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Other financial liabilities (including accounts payables, other payables and accruals, amount due to non-controlling interests, corporate bonds payable, and other borrowings) 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.

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 a 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 customers 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 customers obtain 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Provision of securities placing and brokerage services
Income from provision of securities placing and brokerage services is recognised when the relevant services have been rendered by the Group.

Provision of assets management services
Income from provision of assets managements services is recognised when the relevant services have been rendered by the Group.

Rental income
The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases below.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)

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 (upon application of HKFRS 16 in accordance with transitions in Note 2)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (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 is presented within "Investment properties" respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (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 if 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

Lease modifications

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

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

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

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use 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 lessee (prior to 1 January 2019)

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

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred,

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

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.

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.

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 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.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 taxes on changes in fair value of investment properties above cost.

Key sources of estimation uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty 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.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (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 2019, the carrying amount of goodwill amounted to approximately HK$18,302,000 (2018: HK$18,302,000). No impairment of goodwill was recognised in profit or loss in respect of both of the years ended 31 December 2019 and 31 December 2018.

(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 receivables

The loss allowances for accounts receivables 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 21 and 42(b). As at 31 December 2019, the carrying amount of accounts receivables is HK$63,840,000 (2018: HK$54,210,000).

(e) Impairment loss on loans receivables

Impairment of loans receivables 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 receivables are disclosed in Notes 20 and 42(b).

As at 31 December 2019, the carrying amount of loans receivables is HK$63,550,000 (2018: HK$54,800,000).

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (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 17 and 42(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, loss on disposal of property, plant and equipment and subsidiaries, 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.

5. OPERATING SEGMENT INFORMATION (Continued)

(a) Segment revenue and results

	Segment revenue		Segment profit/(loss)	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Securities investments	**–**	–	**1,288**	3,045
Provision of securities placing and brokerage services	**23,303**	27,143	**10,963**	13,091
Leasing of investment properties	**553**	540	**184**	3,073
Money lending business	**14,701**	13,966	**11,225**	12,186
Provision of assets management services	**400**	–	**(1,535)**	–
Others	**–**	–	**–**	(403)
	38,957	41,649	**22,125**	30,992

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: Nil).

	2019	2018
	HK$'000	HK$'000
Segment profit reported above	**22,125**	30,992
Interest income from bank deposits	**332**	1,822
Other interest income	**–**	22
Loss on disposal of subsidiaries	**–**	(1,528)
Corporate and other unallocated expenses – net	**(9,017)**	(11,833)
Finance costs	**(1,057)**	(3,350)
Profit before tax	**12,383**	16,125
Income tax expense	**(2,321)**	(2,849)
Profit for the year	**10,062**	13,276

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	2019 HK$'000	2018 HK$'000
Segment assets		
Securities investments	**47,798**	27,269
Provision of securities placing and brokerage services	**186,993**	235,102
Leasing of investment properties	**19,757**	19,904
Money lending business	**71,594**	56,446
Provision of assets management services	**635**	–
Others	**3**	3
Total segment assets	**326,780**	338,724
Corporate and other unallocated assets	**52,127**	80,398
Total assets	**378,907**	419,122

	2019 HK$'000	2018 HK$'000
Segment liabilities		
Provision of securities placing and brokerage services	**73,913**	126,916
Leasing of investment properties	**155**	180
Provision of assets management services	**25**	–
Total segment liabilities	**74,093**	127,096
Corporate and other unallocated liabilities	**37,187**	34,461
Total liabilities	**111,280**	161,557

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, other deposits and prepayments, other receivables, certain bank balances and cash and assets used jointly by reportable segments. Goodwill is allocated to segments as described in Note 18. 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, convertible bonds payables, other borrowings, income tax payable and 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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Securities investments	**–**	–	**–**	674
Provision of securities placing and brokerage services	**158**	172	**9**	3
Leasing of investment properties	**–**	–	**–**	–
Money lending business	**–**	–	**–**	–
Provision of assets management services	**–**	–	**–**	–
	158	172	**9**	677
Unallocated	**3,478**	1,455	**336**	–
Consolidated total	**3,636**	1,627	**345**	677

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.

5. OPERATING SEGMENT INFORMATION (Continued)

(d) Geographical information

(i) Revenue from external customers

	2019 HK$'000	2018 HK$'000
Hong Kong	**38,957**	41,649

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

(ii) Non-current assets

	2019 HK$'000	2018 HK$'000
Hong Kong	**42,118**	43,313

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:

	2019 HK$'000	2018 HK$'000
Customer A	**4,912**	N/A#
Customer B	**N/A***	5,789

The revenue from customer A for the year ended 31 December 2018 does not exceed 10% of the total revenue of the Group for that year.

* The revenue from customer B for the year ended 31 December 2019 does not exceed 10% of the total revenue of the Group for this year.

6. REVENUE, OTHER INCOME AND GAINS

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 receivable and provision of assets management services, analysed as follows:

	2019 HK$'000	2018 HK$'000
Revenue		
Provision of securities placing and brokerage services *(Note i)*	**23,303**	27,143
Rental income from leasing of investment properties	**553**	540
Interest income from loans receivables	**14,701**	13,966
Provision of assets management services *(Note ii)*	**400**	–
Total revenue	**38,957**	41,649

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.

	2019 HK$'000	2018 HK$'000
Other income and gains		
Gain on change in fair value of financial assets at fair value through profit or loss		
– Net realised gain on sale of listed securities	**5,750**	–
– Net unrealised gain on listed securities	**–**	3,824
	5,750	3,824
Dividend income	**14**	–
Exchange gains, net	**9**	3
Interest income from		
– Bank deposits	**332**	1,822
– Others	**–**	22
Sundry income	**236**	378
Total other income and gains	**6,341**	6,049

7. OTHER OPERATING EXPENSES

	2019 HK$'000	2018 HK$'000
Impairment loss recognised in respect of other receivables *(Note 22)*	–	623
Loss on disposal of subsidiaries *(Note 37)*	–	1,528
Losses on change in fair value of financial assets at fair value through profit or loss		
– Net realised loss on sale of listed securities	–	779
– Net unrealised loss on listed securities	4,462	–
	4,462	2,930

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
– Lease liabilities *(Note 28)*	49	–
– Convertible bonds payable *(Note 30)*	–	2,399
– Corporate bonds payable *(Note 32)*	1,008	951
	1,057	3,350

9. PROFIT BEFORE TAX

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

	2019 HK$'000	2018 HK$'000
Directors' remuneration *(Note 10)*	2,918	2,275
Other staff costs (excluding directors' remuneration):		
Wages, salaries and allowances	10,229	9,492
Contribution to retirement schemes	235	102
Total staff costs	13,382	11,869
Auditor's remuneration		
– audit services	658	655
Depreciation of property, plant and equipment	1,240	1,627
Depreciation of right-of-use assets	2,396	–
Loss on disposal of property, plant and equipment	–	5
Rental charges on land and buildings under operating leases	–	2,414

10. DIRECTORS' REMUNERATION

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

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

2018	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contribution HK$'000	Total remuneration HK$'000
Executive directors:				
Ms. Kwan Kar Ching	–	1,057	18	1,075
Ms. Hsin Yi-Chin	–	840	–	840
Independent non-executive directors:				
Mr. Hung Cho Sing	120	–	–	120
Mr. Luk Kin Ting	120	–	–	120
Mr. Kam Hou Yin, John (note i)	120	–	–	120
	360	1,897	18	2,275

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.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2018: two directors) whose remuneration are included in directors' remuneration as set out in Note 10 above. Details of the remuneration of the remaining three highest paid employees (2018: three employees) are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and other benefits	**4,113**	3,207
Pension scheme contribution	**70**	54
	4,183	3,261

The remuneration of these three highest paid employees (2018: three employees) fell within the following bands:

	2019 **Number of employees**	2018 Number of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

12. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Hong Kong profits tax		
– current year	**(2,813)**	(2,977)
– over-provision in prior years	**361**	30
Current tax charge	**(2,452)**	(2,947)
Deferred tax credit *(Note 33)*	**131**	98
Income tax expense	**(2,321)**	(2,849)

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 Corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

For the year ended 31 December 2019, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. For the year ended 31 December 2018, Hong Kong profit tax was calculated at the rate of 16.5% of the estimated assessable profits.

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:

	2019 HK$'000	2018 HK$'000
Profit before tax	**12,383**	16,125
Tax calculated at the tax rate of 8.25% (2018: Nil)	**165**	–
Tax calculated at the tax rate of 16.5% (2018: 16.5%)	**1,713**	2,660
Tax effect of expenses not deductible for tax	**1,955**	619
Tax effect of income not subject to tax	**(1,583)**	(869)
Tax effect of tax loss not recognised	**71**	439
Income tax expense	**2,321**	2,849

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting date (2018: Nil).

14. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Profit		
Profit for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	**9,046**	11,625
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of tax effects	**–**	2,003
Profit for the purpose of diluted earnings per share	**N/A**	N/A

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,783,360**	2,649,258
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	134,102
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,783,360**	2,783,360

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 2019 and 31 December 2018.

Diluted earnings per share for the year ended 31 December 2019 is not presented as there were no potential ordinary shares in issue during the year 2019 except for the share options granted by the Company.

Diluted earnings per share for the year ended 31 December 2018 is not presented because the impact of conversion of convertible bonds is regarded as anti-dilutive and there were no potential ordinary shares in issue for the year 2018 except for the convertible bonds and the share options granted by the Company.

15. 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 2018	1,859	900	4,423	7,182
Additions	3	–	674	677
Disposals	–	(9)	–	(9)
At 31 December 2018 and 1 January 2019	**1,862**	**891**	**5,097**	**7,850**
Additions	**2**	**7**	**–**	**9**
At 31 December 2019	**1,864**	**898**	**5,097**	**7,859**
ACCUMULATED DEPRECIATION				
At 1 January 2018	1,275	492	1,047	2,814
Depreciation for the year	509	144	974	1,627
Eliminated on disposals	–	(4)	–	(4)
At 31 December 2018 and 1 January 2019	**1,784**	**632**	**2,021**	**4,437**
Depreciation for the year	**78**	**143**	**1,019**	**1,240**
At 31 December 2019	**1,862**	**775**	**3,040**	**5,677**
CARRYING AMOUNTS				
At 31 December 2019	**2**	**123**	**2,057**	**2,182**
At 31 December 2018	78	259	3,076	3,413

15. 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

16. RIGHT-OF-USE ASSETS

	Leased property HK$'000
Carrying amount at 1 January 2019	**2,732**
Depreciation provided for the year ended 31 December 2019	**2,396**
Carrying amount at 31 December 2019	**336**
Total cash outflow for leases	**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.

17. INVESTMENT PROPERTIES

The Group's investment properties comprise:

	2019 HK$'000	2018 HK$'000
Investment properties in Hong Kong	**19,600**	19,900

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 2019 and 31 December 2018.

The fair values of the Group's investment properties as at 31 December 2019 and 31 December 2018 have been arrived at on the basis of valuations carried out at those dates by B.I. Appraisals Limited and Chung Hin Appraisals Limited respectively, which are independent qualified professional valuers 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.

	2019 HK$'000	2018 HK$'000
At beginning of the year	**19,900**	17,300
(Loss)/gain on change in fair value recognised in profit or loss	**(300)**	2,600
At end of the year	**19,600**	19,900

17. INVESTMENT PROPERTIES (Continued)

The investment properties were revalued on direct comparison approach by making reference to comparable sale evidence as available in the relevant market as at 31 December 2018, whereas the investment approach by taking into account the current rents passing and the reversionary income potential of the tenancies as at 31 December 2019.

The significant unobservable inputs into the valuation technique include:

Estimated rental value	Based on the actual view, type and quality 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	31 December 2019: HK$19,600,000 31 December 2018: HK$19,900,000	investment approach	unit rent and market yield	2019: HK$47 to 62 (unit rent) and 2.8% to 3% (yield) 2018: HK$54 to 65 (unit rent) and 2.6% to 3.2% yield	the higher the rental the higher the market value; the higher the market yield the lower the market value

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

18. GOODWILL

	2019 **HK$'000**	2018 HK$'000
Cost		
At beginning of the year	**18,302**	18,811
Disposal of subsidiaries *(Note 37)*	**–**	(509)
At end of the year	**18,302**	18,302
Accumulated impairment losses		
At beginning of the year	**–**	509
Derecognised on disposal of subsidiaries *(Note 37)*	**–**	(509)
At 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**").

	2019 **HK$'000**	2018 HK$'000
KOALA Securities	**18,302**	18,302

18. GOODWILL (Continued)

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below.

KOALA Securities

The recoverable amount of this group of cash generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period, and a discount rate of 24.01% (2018: 24.01%) per annum.

Cash flow projection during the budget period are based on the same expected gross margins throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady growth rate of 2% (2018: 2%) per annum which is projected long-term average growth rate. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the group of units to exceed the aggregate recoverable amount.

19. OTHER INTANGIBLE ASSETS

	Securities brokerage licence	
	2019	2018
	HK$'000	HK$'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.

19. OTHER INTANGIBLE ASSETS (Continued)

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 relates.

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.

20. LOANS RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Loans and interests thereon receivables within one year	**63,550**	54,800

	2019 **HK$'000**	2018 HK$'000
Analysed for reporting purposes:		
Classified under current assets	**63,550**	54,800

Movements during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
At beginning of the year	**54,800**	55,530
Loans made by the Group	**17,700**	18,800
Interest on loans receivables	**14,701**	13,966
Loans and interest repaid	**(23,651)**	(33,496)
At end of the year	**63,550**	54,800

20. LOANS RECEIVABLES (Continued)

Details of the loans receivables 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
58,270			

Details of the loans receivables as at 31 December 2018 are as follows:

Loan principal amount HK$'000	Interest rate	Maturity date	Security pledged
3,000	48% per annum	2 February 2019	Nil
4,000	24% per annum	28 February 2019	Nil
2,000	12% per annum	4 March 2019	Nil
5,000	24% per annum	2 April 2019	Nil
2,000	36% per annum	13 May 2019	Nil
6,800	10% per annum	1 June 2019	Nil
10,000	24% per annum	30 June 2019	Nil
10,000	36% per annum	15 August 2019	Nil
10,000	30% per annum	5 September 2019	Nil
52,800			

Loans and interest receivables are to be settled by the borrowers at the respective maturity dates.

The loans and interest receivables as at 31 December 2019 are not yet past due as at that date.

The loans receivables as at 31 December 2019 was 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 receivables respect of both of the years ended 31 December 2019 and 31 December 2018 are estimated to be insignificant, accordingly impairment losses on the loans receivables have not been recognised in the consolidated financial statements.

21. ACCOUNTS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Accounts receivables from clearing house, brokers and cash clients	**63,378**	54,210
Other accounts receivables	**53**	–
	63,840	54,210

The table below reconciled the impairment of accounts receivables for the year:

	2019 HK$'000	2018 HK$'000
Balance at beginning of the year	**–**	5,210
Derecognised upon disposal of subsidiaries	**–**	(5,210)
Balance at end of the year	**–**	–

Accounts receivables from the business of securities brokerage

The settlement terms of accounts receivables from clearing house, brokers and cash clients, which arose from the business of securities brokerage, are two days after trade date. The accounts receivables from the business of securities brokerage at 31 December 2019 and 31 December 2018 are not past due as at those respective dates based on settlement terms and are not impaired. The accounts receivables as at 31 December 2019 were settled subsequent to that date.

No ageing analysis of the accounts receivables 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.

Other accounts receivables

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**53**	–

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Other deposits and prepayments	**1,882**	2,718
Other receivables	**–**	–
	1,882	2,718

An analysis of other receivables is as follows:

	2019 HK$'000	2018 HK$'000
Other receivables	**–**	–
Less: Impairment loss recognised	**–**	–
	–	–

The table below reconciled the impairment of other receivables:

	2019 HK$'000	2018 HK$'000
Balance at beginning of the year	**–**	7,942
Impairment loss recognised *(Note 7)*	**–**	623
Eliminated on disposal of subsidiaries	**–**	(656)
Write-off of other receivables	**–**	(7,909)
Balance at end of the year	**–**	–

23. AMOUNT DUE FROM NON-CONTROLLING INTERESTS

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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **HK$'000**	2018 HK$'000
Equity securities listed in Hong Kong, at fair value *(Note 42(c)(i))*	**47,798**	27,269

25. BANK BALANCES AND CASH

	2019 **HK$'000**	2018 HK$'000
Bank balances and cash		
– trust accounts *(note (i))*	**42,578**	100,113
– general bank accounts and cash *(note (ii))*	**98,594**	118,152
	141,172	218,265

Notes:

(i) The Group receives and holds money deposited by clients and other institutions during 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 payables 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.

26. ACCOUNTS PAYABLES

	2019 HK$'000	2018 HK$'000
Accounts payables from clearing house, brokers and cash clients	**56,705**	112,688

Accounts payables from the business of securities brokerage

The settlement terms of accounts payables from clearing house, brokers and cash clients, which arose from the business of securities brokerage, are two days after trade date. The accounts payables from the business of securities brokerage at 31 December 2019 and 31 December 2018 are not past due as at those respective dates based on settlement terms and are not impaired. The accounts payables as at 31 December 2019 were settled subsequent to that date.

No ageing analysis of the accounts payables 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.

27. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Other payables	**9,183**	7,076
Accrued charges	**3,794**	3,823
	12,977	10,899

28. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable within one year	**346**
Analysed for reporting purpose: Classified under current liabilities	**346**

29. AMOUNT DUE TO NON-CONTROLLING INTERESTS

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

30. CONVERTIBLE BONDS PAYABLE

	2019 **HK$'000**	2018 HK$'000
Liability component of convertible bonds payable	**–**	–
Analysed for reporting purpose:		
Classified under current liabilities	**–**	–

On 16 July 2015, the Company issued 3% convertible bonds due on 15 July 2018 at the principal amount of HK$80,000,000 to a third party for a cash consideration of HK$80,000,000. Under the terms of the convertible bonds, the bonds can be converted into ordinary shares at an initial conversion price of HK$0.095 per share from the day immediately following the date of the issue of convertible bonds to the maturity date of 15 July 2018. If the convertible bonds have not been converted, they will be redeemed at par on the maturity date.

During the year ended 31 December 2018, the convertible bonds with an aggregate principal amount of HK$31,000,000 were converted into approximately 326,316,000 new shares of the Company at the conversion price of HK$0.095 per share on 30 May 2018 and no convertible bonds remained outstanding as at the maturity date of 15 July 2018.

The convertible bonds contained two components: liability and equity elements. The fair value of the liability component at the date of issue was calculated using the discount rate of 22.11% per annum, being the estimated market rates for a similar non-convertible bonds at that date. The fair value of the equity component at the date of issue was valued using the Binomial Model.

30. CONVERTIBLE BONDS PAYABLE (Continued)

Movements of the liability component and equity component of the convertible bonds are set out below:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
Carrying amount at 1 January 2018	28,795	74,286	103,081
Interest expense accrued *(Note 8)*	2,399	–	2,399
Conversion of convertible bonds	(31,194)	(74,286)	(105,480)
Carrying amount at 31 December 2018 and 31 December 2019	–	–	–

31. OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Unsecured loans from third parties	**–**	–

During the year ended 31 December 2016, a subsidiary of the Company obtained unsecured short term loan amounted to HK$1,000,000 from a third party which carried interests at 12% per annum and was repayable on 25 January 2017. Such loan remained outstanding as at 31 December 2017 which carried interests at 20% per annum, being the default interest rate specified in the relevant loan agreement. During the year ended 31 December 2018, the loan was derecognised following the disposal of the subsidiary *(Note 37)*.

32. CORPORATE BONDS PAYABLE

	2019 **HK$'000**	2018 HK$'000
Carrying amount of corporate bonds due on:		
– 29 September 2021	**7,952**	7,361
– 9 March 2022	**9,216**	8,799
	17,168	16,160

	2019 **HK$'000**	2018 HK$'000
Analysed for reporting purposes:		
Classified under non-current liabilities – payable in the second to fifth years	**17,168**	16,160

Movements in the corporate bonds payable are as follows:

	2019 **HK$'000**	2018 HK$'000
At beginning of the year	**16,160**	15,209
Interest on bonds accrued *(Note 8)*	**1,008**	951
At end of the year	**17,168**	16,160

As at 31 December 2019, the corporate bonds with the principal amount of HK$20,000,000 (2018: 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% (2018: 8.78%) per annum and 4.92% (2018: 4.92%) per annum respectively. Details of the corporate bonds outstanding as at 31 December 2019 and 31 December 2018 are as follows:

	Corporate bonds 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

33. 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 2018	(3,217)	(257)	(3,474)
Credited to profit or loss	–	98	98
At 31 December 2018 and 1 January 2019	**(3,217)**	**(159)**	**(3,376)**
Credited to profit or loss	**–**	**131**	**131**
At 31 December 2019	**(3,217)**	**(28)**	**(3,245)**

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of the PRC subsidiaries from 1 January 2008 onwards. No significant profits have been earned by the PRC subsidiaries up to 31 December 2019 (2018: Nil), accordingly deferred tax has not been provided for in the consolidated financial statements.

At the end of the reporting period, the Group has unused tax losses and other deductible temporary differences totalling approximately HK$4,140,000 (2018: HK$11,146,000) 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.

34. SHARE CAPITAL

	Number of ordinary shares HK$0.01 each '000	Nominal amount HK$'000
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	20,000,000	200,000
Issued and fully paid:		
At 1 January 2018	2,457,044	24,570
Issue of shares upon conversion of convertible bonds *(Note)*	**326,316**	**3,263**
At 31 December 2018 and 31 December 2019	**2,783,360**	**27,833**

Note: On 30 May 2018, the convertible bonds with the principal amount of HK$31,000,000 were converted into 326,316,000 new shares of the Company at the conversion price of HK$0.095 per share.

35. 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.

No share option was granted, exercised, lapsed or forfeited during both of the years ended 31 December 2018 and 31 December 2019.

35. SHARE OPTION SCHEME (Continued)

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

	2019		2018	
	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 and end of the year	**0.666**	**21,200**	0.666	21,200
Exercisable at end of the year	**0.666**	**21,200**	0.666	21,200

No share option expense has been recognised by the Group for the year ended 31 December 2019 (2018: Nil) in relation to share options granted by the Company. The share options granted can 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 exercise price of the share options granted and outstanding at the end of the reporting period is HK$0.666 (2018: HK$0.666) per share. The weighted average remaining contractual life of share options granted and outstanding at the end of the reporting period is 0.9 years (2018: 1.9 years).

36. 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$235,000 (2018: HK$102,000).

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

37. DISPOSAL OF SUBSIDIARIES

Disposal took place for the year ended 31 December 2018

On 30 September 2018, the Company disposed of 51% equity interest in and amount due to the Group by a subsidiary, Mark Wish Limited, to a third party, for nil consideration. Mark Wish Limited and its subsidiaries, were engaged in manufacture and trading of garment accessories, manufacturing and trading of LED components.

Consideration for the disposal:	HK$'000
Consideration receivable	–

Analysis of assets and liabilities at the date of disposal over which control was lost:	HK$'000
Accounts receivables	103
Prepayments, deposits and other receivables	248
Bank balances and cash	28
Accounts payables	(5,799)
Other payables and accruals	(3,040)
Other borrowings	(1,000)
Income tax payable	(4)
Net liabilities disposed of	(9,464)

Loss on disposal of subsidiaries	HK$'000
Consideration	–
Net liabilities disposed of	9,464
Cumulative exchange gains in respect of the disposed subsidiaries	176
Non-controlling interests	(11,168)
Loss on disposal of subsidiaries *(Note 7)*	(1,528)

Net cash outflow on disposal of subsidiaries	HK$'000
Consideration received	–
Less: Bank balances and cash disposed of	(28)
	(28)

38. 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$'000	Convertible bonds payable HK$'000	Total HK$'000
At 1 January 2018	326	–	15,209	28,795	44,330
Finance costs	–	–	951	2,399	3,350
Issue of shares upon conversion of convertible bonds	–	–	–	(31,194)	(31,194)
Derecognised upon disposal of subsidiaries	(326)	–	–	–	(326)
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	**–**	**346**	**17,168**	**–**	**17,514**

39. CONTINGENT LIABILITIES AND COMMITMENTS

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

As at 31 December 2018, the Group had the following contingent liabilities and commitments:

(a) Contingent liabilities

In prior years, a writ of summon dated 16 July 2014, was issued by a third party, Total Share Limited (**"Total Shares"**), claiming against the Company and Mr. Shan Xiaochang, a former director of the Company, in respect of a sum of HK$10,000,000 which was advanced by Total Shares to Mr. Shan, the repayment of which was guaranteed by the Company. During the year ended 31 December 2018, a consent order dated 12 July 2018 was signed by Total Shares and the Company, under which Total Shares has agreed to discontinue all proceedings against the Company. Accordingly, the directors of the opinion that the claim made by Total Shares against the Company would not result in any material adverse impact against the Group and provision for loss in this respect is not required to be made in the consolidated financial statements.

(b) Operating leases

As lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2018 HK$'000
Within one year	2,435
In the second to fifth year inclusive	339
	2,774

40. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	2019	2018
	HK$'000	HK$'000
Salaries and other short-term benefits	**1,906**	3,600
Pension scheme contribution	**36**	77
	1,942	3,677

41. 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.

42. 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:

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**47,798**	27,269
Financial assets at amortised cost		
Loans receivables	**63,550**	54,800
Accounts receivables	**63,840**	54,210
Amount due from non-controlling interests	**245**	245
Bank balances – trust accounts	**42,578**	100,113
Bank balances and cash – general accounts	**98,594**	118,152
	268,807	327,520
	316,605	354,789
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payables, other payables and accruals	**67,210**	123,587
Corporate bonds payable	**17,168**	16,160
Amount due to non-controlling interests	**10,400**	10,400
Lease Liabilities	**346**	–
	95,124	150,147

42. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, loans receivables, accounts receivables, amount due from non-controlling interests, bank balances and cash, accounts payables, other payables and accruals, corporate bonds payable, amount due to non-controlling interests 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 are mainly denominated in United States dollars and Hong Kong dollars. The exchanges rates between these currencies are pegged, and there are no significant fluctuations of exchange rates of these currencies.

No significant monetary assets and monetary liabilities of the companies in the Group at the reporting date were denominated in currencies other than functional currencies of the related entities.

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.

42. FINANCIAL INSTRUMENTS (Continued)

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

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

The Group

	2019		2018	
	Effective interest rate	**Carrying amount HK$'000**	Effective interest rate	Carrying amount HK$'000
Loans receivables *(Note 20)*	**6%–36%**	**63,550**	10%–48%	54,800
Fixed rate borrowings – corporate bonds payable *(Note 32)*	**4.92%–8.78%**	**17,168**	4.92%–8.78%	16,160

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 (2018: 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 have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 10% higher/lower, the post-tax profit for the year would increase/decrease by HK$3,991,300 respectively (2018: post-tax loss for the year would decrease/increase by HK$2,277,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

42. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment provision

As at 31 December 2019 and 2018, 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 receivables individually or based on provision matrix.

The Group performs impairment assessment under ECL model on loans receivables and bank balances based on 12m ECL.

The credit risk on loans receivables together interests thereon are limited because the directors consider the borrowers are financially sound with reputation.

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 receivables and bank balances.

The Group is exposed to concentration of credit risk on:

- Loans receivables 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.

42. 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 receivables	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 – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date.	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

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 2019 HK'000**	31 December 2018 HK'000
Accounts receivables	21	N/A	*(Note)*	Lifetime ECL (provision matrix)	**63,840**	54,210
Loans receivables	20	N/A	Low risk	12-month ECL	**63,550**	54,800
Bank balances – trust accounts	25	AA+	N/A	12-month ECL	**42,578**	100,113
Bank balances – general accounts	25	AA+	N/A	12-month ECL	**98,594**	118,152

Note: For accounts receivables, 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 year ended 31 December 2019 and 31 December 2018, no material impairment allowance on accounts receivables and loans receivables is provided based on the provision matrix.

42. 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 corporate bonds payable as a significant source of liquidity. As at 31 December 2019, the Group has no available unutilised banking facilities (2018: 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 rate, 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 interest 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.

The Group

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 receivables	6%-36%	71,019	–	–	71,019	63,550
Accounts receivables 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 payables and accruals	–	67,210	–	–	67,210	67,210
Lease liabilities	–	347	–	–	347	346
Corporate bonds payable	4% & 5%	–	22,390	–	22,390	17,168
Other borrowings	–	–	–	–	–	–
Amount due to non-controlling interests	–	10,400	–	–	10,400	10,400
Convertible bonds payable	–	–	–	–	–	–
		77,957	22,390	–	100,347	95,124

42. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

At 31 December 2018	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 receivables	10%–48%	59,403	–	–	59,423	54,800
Accounts receivables	–	54,210	–	–	54,210	54,210
Amount due from non-controlling interests	–	245	–	–	245	245
Bank balances						
– trust accounts	0.5%	100,113	–	–	100,113	100,113
Bank balances and cash						
– general accounts	0.5%	118,152	–	–	118,152	118,152
		332,123	–	–	332,123	327,520
Non-derivative financial liabilities						
Accounts payables, other payables and accruals	–	123,587	–	–	123,587	123,587
Corporate bonds payable	4% & 5%	–	23,522	–	23,522	16,160
Other borrowings	–	–	–	–	–	–
Amount due to non-controlling interests	–	10,400	–	–	10,400	10,400
		133,987	23,522	–	157,509	150,147

42. 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 31 December 2019 HK$'000	2018 HK$'000	Fair value hierarchy	Valuation technical(s) and key inputs
Financial assets at FVTPL				
Listed securities *(Note 24)*	**47,798**	27,269	Level 1	Quoted bid prices in an active market

The fair value of all the listed securities as at 31 December 2019 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.

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 **HK$'000**	2018 HK$'000
Non-current assets		
Investments in subsidiaries	**–**	–
	–	–
Current assets		
Prepayments, deposits and other receivables	**1,414**	1,411
Amounts due from subsidiaries	**264,925**	256,187
Bank balances and cash – general accounts	**4,218**	10,142
	270,557	267,740
Current liabilities		
Convertible bonds payable	**–**	–
Other payables and accruals	**532**	1,396
Income tax payable	**5,375**	5,005
	5,907	6,401
Net current assets	**264,650**	261,339
Total assets less current liabilities	**264,650**	261,339
Non-current liabilities		
Corporate bonds payable	**17,168**	16,160
	17,168	16,160
Net assets	**247,482**	245,179
Capital and reserves		
Share capital	**27,833**	27,833
Reserves	**219,649**	217,346
Total equity	**247,482**	245,179

The Company's statement of financial position was approved and authorised for issue by the board of directors on 25 March 2020 and is signed on its behalf by:

Kwan Kar Ching
Director

Hsin Yi-Chin
Director

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

Movements of the reserves of the Company are as follows:

	Share premium	Share option reserve	Convertible bonds reserve	Merger reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	551,182	7,410	74,286	19,550	(463,459)	188,969
Profit and total comprehensive expense for the year	–	–	–	–	446	446
Issue of shares upon conversion of convertible bonds	102,217	–	(74,286)	–	–	27,931
At 31 December 2018 and 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	**653,399**	**7,410**	**–**	**19,550**	**(460,710)**	**219,649**

44. 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				
				2019	2018	**2019**	2018	**2019**	2018	
Modern World Group Limited	British Virgin Islands ("**BVI**")	Ordinary	US$5	**100**	100	**–**	–	**100**	100	Investment holding and trading of commodities
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	**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	Trading of commodities
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** (note)	41 (note)	**41** (note)	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

44. 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	
		2019	2018	**2019**	2018	**2019**	2018
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Prime Paradise	*(note a)*	**20**	20	**1,016**	1,667	**8,042**	7,026
Mark Wish	*(note b)*	**N/A**	N/A	**N/A**	(16)	**N/A**	–
				1,016	1,651	**8,042**	7,026

Notes:

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

b. Mark Wish was incorporated in the BVI and, through its subsidiaries, was principally engaged in trading of garment accessories and manufacture and sales of LED components. Mark Wish was disposed in the year ended 31 December 2018.

44. SUBSIDIARIES (Continued)

Summarised financial information in respect of the Company's subsidiaries at 31 December 2019 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	
	2019	2018
	HK$'000	HK$'000
Current assets	**149,249**	196,575
Non-current assets	**20,077**	20,226
Current liabilities *(note)*	**(118,559)**	(174,117)
Non-current liabilities	**(3,218)**	(3,222)
Equity attributable to owners of the Company	**39,509**	32,436
Non-controlling interests	**8,042**	7,026
Revenue	**23,703**	27,143
Expenses	**(15,613)**	(14,795)
Profit for the year	**8,089**	12,348
Profit attributable to owners of the Company	**7,073**	9,678
Profit attributable to non-controlling interests	**1,016**	2,670
Profit for the year	**8,089**	12,348
Total comprehensive income attributable to owners of the Company	**7,073**	9,678
Total comprehensive income attributable to non-controlling interests	**1,016**	2,670
Total comprehensive income for the year	**8,089**	12,348
Net cash inflow from operating activities	**1,148**	(8,089)
Net cash inflow from investing activities	**288**	1,820
Net cash inflow	**1,436**	(6,269)

Note: The current liabilities include amounts due to intragroup companies amounted to HK$44,646,000 (2018: HK$44,646,000) which have been eliminated in the preparation of the Group's consolidated financial statements.

45. EVENT AFTER THE REPORTING PERIOD

The following significant event took place subsequent to 31 December 2019:

The directors of the Group consider that the outbreak of the 2019 Novel Coronavirus ("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 receivables, impairment of goodwill and intangible assets. 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 Group 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.