ANNUAL REPORT 2019

LERADO FINANCIAL GROUP

隆 成 金 融 集 團

Lerado Financial Group Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 1225

Contents

Corporate Information

EXECUTIVE DIRECTORS

CHEN Chun Chieh
LEUNG Kam Por Ken
HO Kuan Lai

INDEPENDENT NON-EXECUTIVE DIRECTORS

YU Tat Chi Michael
YANG Haihui
LAM Williamson

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

MAN Yun Wah

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

22/F
The Wellington
184-198 Wellington Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR

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

STOCK CODE

Hong Kong Stock Exchange: 1225

COMPANY WEBSITE

www.lerado.com

PRINCIPAL BANKERS

Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Elite Partners CPA Limited

Financial Highlights

	2019 *HK$'000*	2018 *HK$'000*	2017 *HK$'000*
Revenue	**247,592**	246,313	224,221
Loss before taxation	**(95,371)**	(64,151)	(611,959)
As a percentage of revenue	**(38.5%)**	(26.0%)	(272.9%)
EBITDA	**(22,229)**	5,859	(560,273)
As a percentage of revenue	**(8.98%)**	2.4%	(249.9%)
Loss attributable to owners of the company	**(86,170)**	(68,090)	(534,962)
As a percentage of revenue	**(34.8%)**	(27.6%)	(238.6%)
Total assets	**2,070,372**	2,196,739	2,292,224
Total capital employed*	**1,922,694**	2,022,125	2,134,142
Equity attributable to owners of the company	**1,107,601**	1,193,897	1,296,838
Loss per share *(HK cents)*	**(3.74)**	(2.96)	(23.23)
Return on average shareholders' equity	**(7.5%)**	(5.5%)	(34.3%)
Current ratio	**10.8**	10.6	13.5
Gearing ratio	**72.5%**	69.3%	64.5%
Medical and Plastic Toys Business and Tradings of Garments			
Average inventory turnover *(days)*	**66**	78	78
Average trade debtor turnover *(days)*	**73**	114	116

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

Management Discussion and Analysis

BUSINESS REVIEW

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

Medical Products and Plastic Toys Business

For the medical products and plastic toy business, Europe represented the largest export market of this segment. Sales revenue from European customers increased by 34.8% for the year ended 31 December 2019 to HK$39.9 million, representing 59.1% of the total revenue from medical products and plastic toys business. Revenue from the United States (the "U.S.") customers decreased by 49.7% to HK$8.4 million for the year ended 31 December 2019, accounting for 12.5% of the total revenue from medical and plastic toys business. Revenue from the People's Republic of China (the "PRC") customers increased by 0.9% to HK$7.7 million for the year ended 31 December 2019 , accounting for 11.4% of the total revenue from medical and plastic toys business.

In terms of products, sales revenue from medical products for the year ended 31 December 2019 was HK$49.8 million, representing an increase of 4.3% over last period and accounted for 73.8% of the total revenue from medical products and plastic toys business. The improvement was mainly due to the higher demand and more orders from overseas customers for powered scooters. Sales revenue from plastic toys slightly decreased by 8.8% to HK$17.7 million for the year ended 31 December 2019 mainly due to keen market competition.

Securities Brokerage, Margin Financing, Underwriting and Placements

Black Marble Securities Limited, a wholly-owned subsidiary of the Company ("Black Marble Securities") has generated HK$15.9 million revenue for the year ended 31 December 2019 (2018: HK$15.9 million), representing 6.4% of the total revenue of the Group. It was mainly contributed by the interest income generated from the margin client of HK$15.3 million for the year ended 31 December 2019 (2018: HK$15.4 million).

Assets Management Business

The Group wishes to provide a full range of financing services to its clients other than only securities brokerage, underwriting and placements services and money lending business. The Group has started to develop assets management business and wishes to launch different type of fund to attract new investors for scaling up the portfolio size and the Group will receive management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively. However, the assets management business has not yet generated any revenue during the year ended 31 December 2019 due to the weak market condition.

Management Discussion and Analysis

Money Lending and Finance Leasing

For the year ended 31 December 2019, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals and corporations and commenced its finance lease business in the PRC. The Group has generated HK$134.6 million interest income for the year and has increased HK$0.9 million as compared to last year, representing 54.4% of the total revenue of the Group. Directors are of the view that such business will keep contribute the income stream of the Group and is one of the main sources of income for the Group.

Sales of Garment Accessories

The sales of garment accessories had generated HK$28.2 million revenue for the year ended 31 December 2019 which indicated an increase of HK$0.3 million as compared to last year and representing 11.4% of the total revenue of the Group. The business of trading of garment accessories continuously generated a stable income stream to the Group during the year.

PROSPECTS

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

However, the social demonstration in Hong Kong, the Sino-US trade relation and the outbreak of coronavirus (COVID-19) is having an adverse effect in the market and the worldwide economy. It would likely reduce the investor enthusiasm and our businesses in Hong Kong and the PRC are expected to be very challenging in the coming years. Since the COVID-19 pandemic, the PRC Government has taken emergency measures to prevent the spread of the COVID-19 in the PRC, including, among others, imposing restriction on work resumption date after the statutory holidays for Chinese New Year. It was expected that revenue of the Group's medical products and plastic toys business will decrease in the first quarter of 2020.

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

Management Discussion and Analysis

FINANCIAL REVIEW

Consolidated revenue of the Group for the year ended 31 December 2019 was HK$247.6 million (2018: HK$246.3 million), representing an increase of 0.5% over last year. The increase in the consolidated revenue was mainly due to the increase of money lending and finance leasing business, of which the increment was HK$0.9 million.

Gross profit margin of the Group for the year was 68.1%, representing an increase of approximately 0.2 percentage points as compared to the gross profit margin of 67.9% in the last year. Loss of the Group for the year ended 31 December 2019 was HK$86.2 million (2018: HK$67.7 million) and loss for the year attributable to owners of the Company was HK$86.2 million (2018: HK$68.1 million). The decrease was mainly due to the increase of impairment loss of net of reversal of HK$56.2 million while partially offset by the decrease of administrative expenses of HK$33.8 million for the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position. Cash and cash equivalents of the Group as at 31 December 2019 decreased by HK$44.0 million to HK$275.4 million as compared to HK$319.4 million as at 31 December 2018. The Group has bank borrowings of HK$3.2 million (2018: HK$3.4 million), bank overdrafts of HK$4.8 million (2018: HK$5.0 million), term loan of HK$28.0 million (2018: HK$20.0 million) and bond payable of HK$767.7 million (2018: HK$798.9 million) as at 31 December 2019. As at 31 December 2019, the Group had net current assets of HK$1,736.3 million (31 December 2018: HK$1,832.8 million) and a current ratio of 10.8 (31 December 2018: 10.6). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business and trading of garments for the year ended 31 December 2019 were 73 days (31 December 2018: 114 days) and 66 days (31 December 2018: 78 days) respectively. The Group's gearing ratio as at 31 December 2019 was 72.5% (2018: 69.3%).

SIGNIFICANT INVESTMENTS

Since there was no held-for-trading investments and other investments held by the Group valued more than 5% of the total assets of the Group as at 31 December 2019, there were no significant investments held by the Group. Details of the held-for-trading investments held by the Group and the fair value changes of the held-for-trading investments for the year are set out in note 26 to the financial statements.

PLEDGE OF ASSETS

The bank borrowings were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group's investment properties of approximately HK$7.5 million (2018: HK$8.1 million). The term loan of approximately HK$28.0 million (2018: HK$20.0 million) was secured by the Group's investment properties of approximately HK$49.2 million (2018: HK$46.8 million) as at 31 December 2019.

Management Discussion and Analysis

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

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

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

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

EXCHANGE RISK EXPOSURE

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

EQUITY PRICE RISK EXPOSURE

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

CONTINGENT LIABILITY

As at 31 December 2019, the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

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

Directors' Profile

EXECUTIVE DIRECTORS

Mr. CHEN Chun Chieh, aged 44, was appointed an Executive Director of the Company on 3 April 2008. Mr. Chen has been working for the Group since 2002. He obtained a master's degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

Mr. Leung Kam Por, Ken, aged 40, holds a bachelor of engineering degree from Hong Kong Polytechnic University. Mr. Leung held a number of senior positions in various organizations including management consulting firm, licensed corporation and conglomerate. He has over 15 years of senior managerial experience of which 4 years working for licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance, and 3 years working as a director of a sizable company which mainly carries on money lending business. He also has extensive experience in different industries and is specializing in manufacturing, supply chain, finance, money lending, business consultancy and general management.

Ms. Ho Kuan Lai, aged 48, is currently an associate member of the Singapore Institute of Chartered Secretarial & Administrator. She had been a non-executive director of Laura Ashley Holdings (a company listed on the main board of the London Stock Exchange, stock code: ALY) between 17 June 2013 and 3 August 2014, and an executive director of Morning Star Resources Limited (a company listed on the main board of the Stock Exchange, stock code: 542) between 1 February 2010 and 7 October 2010 and previously held senior management position of a sizable group of companies in Malaysia and United Kingdom. Ms. Ho has abundant experience in management of sizable group of companies.

Directors' Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Tat Chi Michael, aged 55. Mr. Yu holds a bachelor of commerce degree from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu is also a founding member of The Hong Kong Independent Non-Executive Director Association. Mr. Yu has many years of experience in accounting, corporate finance and asset management. He had held senior management positions in several listed companies in Hong Kong. He is currently an independent non-executive director of Golden Resources Development International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 677) since 30 August 2012, EVOC Intelligent Technology Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2308) since 30 May 2016, Applied Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 519) since 14 September 2016, and China Netcom Technology Holdings Limited (a company listed on Growth Enterprise Market of the Stock Exchange, stock code: 8071) since 31 August 2017. Mr. Yu has extensive experience in the field of accounting. The Company considers that Mr. Yu can provide independent and comprehensive advice to the Company.

Mr. Yang Haihui, aged 28. Mr. Yang holds a bachelor of software engineering from the Beijing Normal University, Zhuhai. He currently serves managerial position of Jinshang Capital Investment Management Co. Ltd., primarily responsible for risk management in terms of investment, lending and product portfolio. He has extensive experience in risk management. The Company considers that Mr. Yang can provide independent advice to the Company and enhance the risk management of the Company.

Mr. Lam Williamson, aged 45, is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of the CPA (Australia). He holds a bachelor of business degree from Monash University, Australia and a master of professional accounting degree from the Hong Kong Polytechnic University. Mr. Lam had held directorships and senior finance positions in various listed companies in Hong Kong. Mr. Lam is currently an independent non-executive director of Elife Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 223) since 1 January 2011.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company had complied with Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2019, save for the deviations as stated below: Under the Code provision A.2.1 of the Code, the rules of the chairman and the chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive of the Company should be clearly established and set out in writing. Throughout the year ended 31 December 2019, the Company did not have chairman of the Board and chief executive officer. The Board has been looking for suitable candidates to fill the vacancies.

THE BOARD

Responsibilities

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

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

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

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

Corporate Governance Report

Board Composition

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

The composition of the Board during the year ended 31 December 2018 and up to the date of this Annual Report is set out below:

Executive Directors

CHEN Chun Chieh
LAI Kin Chung, Kenneth (resigned on 28 January 2019)
HO Kuan Lai
LEUNG Kam Por Ken (appointed on 28 January 2019)

Independent Non-Executive Directors

YU Tat Chi Michael
YANG Haihui
LAM Williamson

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

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

The Company is in compliance with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

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

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

Corporate Governance Report

Appointment and Re-election of Directors

In accordance with the Company's bye-laws, all the Directors are subject to retirement by rotation at least once every three years and any new director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by the shareholders at the first general meeting after appointment.

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

BOARD MEETINGS

Board Practices and Conduct of Meetings

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

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

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

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

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

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

Directors' Attendance Records

During the year ended 31 December 2019, 4 regular board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the board meetings and the annual general meeting for the year 2019 (the "2019 AGM") during the year ended 31 December 2019 are set out below:

Name of Director	**Attendance/Number of Meetings**	
	Board Meetings	**2019 AGM**
Chen Chun Chieh	4/4	0/1
Lai Kin Chung, Kenneth (resigned on 28 January 2019)	–/–	–/–
Ho Kuan Lai	4/4	1/1
Leung Kam Por Ken (appointed on 28 January 2019)	4/4	1/1
Yu Tat Chi Michael	4/4	1/1
Yang Haihui	4/4	0/1
Lam Williamson	4/4	1/1

Directors' Training

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

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Corporate Governance Report

Specific enquiry has been made of all the directors and the directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2019.

DELEGATION BY THE BOARD

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

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

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

BOARD COMMITTEES

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

Nomination Committee

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

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

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

During the year ended 31 December 2019, the Nomination Committee was primarily responsible:

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

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

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

Nomination Committee Members	**Attendance/ Number of Meeting**
Lai Kin Chung, Kenneth (resigned on 28 January 2019)	–/–
Chen Chun Chieh	1/1
Ho Kuan Lai	1/1
Yu Tat Chi Michael	1/1
Yang Haihui	1/1
Lam Williamson	1/1

Remuneration Committee

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

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

During the year ended 31 December 2019, the Remuneration Committee was primarily responsible for:

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

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

The Remuneration Committee held one meeting during the year ended 31 December 2019 and the details of attendance are set out below:

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

Audit Committee

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

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

During the year ended 31 December 2019, the Audit Committee was primarily responsible:

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

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

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

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

- to review the Group's financial and accounting policies and practices; and

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

The Audit Committee held 2 meetings during the year ended 31 December 2019 and the details of attendance are set out below:

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

Corporate Governance Functions

During the period under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

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

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

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

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

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

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

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

Risk Management and Internal Controls

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

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

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

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

COMPANY SECRETARY

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

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 27.

During the year ended 31 December 2019, the remunerations paid/payable to the Company's external auditors, Elite Partners CPA Limited are set out below:

Type of Services	**Fees Paid/ Payable** *(HK$)*
Audit Services	
– Audit of annual financial statements	1,080,000
Total	1,080,000

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

The annual general meeting regarding the financial results for the year ended 31 December 2019 (the "AGM") will be held on 19 June 2020. The notice of the AGM will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDER RIGHTS

Convening a special general meeting by shareholders

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

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

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

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

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

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

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post to 22/F, The Wellington, 184-198 Wellington Street, Central, Hong Kong or email to public@lerado.com.hk.

Investors Relationship

Bye-laws

There has not been any significant change to the Company's bye-laws during the year ended 31 December 2019.

Investors Communication Policy

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

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

Telephone number:	(852) 2868 9918
By post:	22/F The Wellington 184-198 Wellington Street Central, Hong Kong
Attention:	Investor Relations Department
By email:	public@lerado.com.hk

Disclaimer

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

Directors' Report

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Descriptions and reviews of principal risks and uncertainties that the Group may be facing are set out on pages 109 to 123 of this annual report.

RESULTS AND APPROPRIATIONS

The 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 33 and 34 of the annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

PROPERTY, PLANT AND EQUIPMENT

The Group's buildings were revalued at 31 December 2019. The revaluation resulted in gain of HK$3,681,000 which was credited to property revaluation reserve at 31 December 2019.

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

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

	2019	2018
	HK$'000	*HK$'000*
Contributed surplus	**244,461**	244,461
Accumulated losses	**(245,954)**	(237,985)
	(1,493)	6,476

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

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

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

DIVIDEND POLICY

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

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

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

DIRECTORS

The directors of the Company during the year ended 31 December 2019 and up to the date of this report were:

Executive Directors:

Mr. Chen Chun Chieh
Mr. Lai Kin Chung, Kenneth (resigned on 28 January 2019)
Ms. Ho Kuan Lai
Mr. Leung Kam Por Ken (appointed on 28 January 2019)

Independent non-executive Directors

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

In accordance with clause 87 of the Company's bye-laws, Ms. Ho Kuan Lai and Mr. Yu Tat Chi Michael will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other directors will continue in office.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, none of the Directors, Supervisor or the chief executive of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which shall be recorded and maintained in the register pursuant to section 352 of the SFO, or which shall be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SHARE OPTIONS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

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

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Mak Kwong Yiu	Beneficial owner	217,072,320	9.40%
Mr. Lai Shu Fun, Francis Alvin *(Note 1)*	Beneficial owner	180,000,000	7.82%

Note:

(1) Mr. Lai Shu Fun, Francis Alvin owns shares through his wholly owned Opus Platinum Growth Fund.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTIONS

Other than those disclosed in note 36 to the consolidated financial statements, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 36, no contracts of significance, to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end or at any time during the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 17.6% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 5.5% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 15.4% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 4.6%.

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

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

EMOLUMENT POLICY

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

The Company has adopted share option schemes as an incentive to directors and eligible employees, details of these schemes are set out in note 33 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2019.

AUDITOR

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

On behalf of the board

Ho Kuan Lai
Executive Director

30 March 2020

Independent Auditor's Report

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

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

OPINION

We have audited the consolidated financial statements of Lerado Financial Group Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 33 to 131, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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.

Independent Auditor's Report

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to the complexity and significant judgments involved in the management's impairment assessment process. As detailed in the notes 4 and 19 to the consolidated financial statements, in determining the amount of impairment for goodwill requires an estimation of the recoverable amount, which is the value in use of the cash-generating unit ("CGU") to which goodwill has been allocated and the Group engages an independent external valuer to perform such valuation. The value in use is based on cash flow forecast of each CGUs of the Group and take into account the key assumptions used by management which including discount rate, growth rate, budgeted sales, gross margin and inventories price inflation. For the year ended 31 December 2019, impairment loss of approximately HK$33,415,000 was recognised in goodwill for trading garment and other financial services CGU as the recoverable amount of both segment based on value in use calculation is less than the carrying amount.	Our procedures in relation to impairment assessment of goodwill included: • Understanding how the management perform impairment assessment including the preparation of cash flow forecast and assumptions estimation; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Evaluating the appropriateness of the key assumptions in the cash flow forecast, including growth rate, gross profit margin and inflation, by discussing with the management with reference to their expectations for market development and comparing with the most recent financial performance available; and • Assessing the appropriateness of the discount rate used on discount rate and assessing the impact on the value in use.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment under expected credit loss ("ECL") of HKFRS 9 for loan receivables and trade receivables	
We identified the impairment assessment under ECL of HKFRS 9 for trade receivables and loan receivables as a key audit matter due to its significance to the consolidated financial statements and the significant management estimates and judgement required in the measurement. • Determination of the criteria for significant increase in credit risk ("SICR"); • Selection of models and assumptions used in the ECL models, including Probability of default ("PD") and Loss given default ("LGD"); and • Establishing the relative probability weightings of forward-looking scenarios. In addition, the ECL measurement involves management estimates and judgement in the consideration of various factors, including the realisable value of securities or collaterals from clients and their guarantors which are held by the Group and subsequent settlement and additional collaterals received. The total gross amount of loan receivables was approximately HK$1,365,639,000 with accumulated impairment provision of approximately HK82,655,000 as at 31 December 2019, details of which has been disclosed in note 24 to the consolidated financial statements. The total gross amount of trade receivables was approximately HK$223,319,000 with accumulated impairment provision of approximately HK82,630,000 as at 31 December 2019, details of which has been disclosed in notes 23 to the consolidated financial statements.	Our procedures in relation to impairment assessment under ECL of HKFRS 9 for trade receivables and loan receivables include: • Understanding the established policies and procedures on impairment assessment of the Group in relation to the application of ECL model under HKFRS 9, including model set up and approval, and selection and application of assumptions and inputs into the model; • Assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining if a SICR has occurred or the financial asset is credit-impaired and the basis for classification of exposures into the 3 stages as required by HKFRS 9; • Examining supporting documents for a selection of margin client receivables for the classification of loan exposures with a SICR (stages 1 or 2) or which have been credit-impaired (stage 3) as at the end of the reporting period; • Evaluating the reasonableness and appropriateness of the key models and the critical assumptions, inputs and parameters used in the model; • Examining significant data inputs into the ECL model, including PD and LGD after taking into consideration forward looking information; and • For a sample of margin client receivables and loan receivables classified as stage 3, assessing the reasonableness of the estimated future cash flows and the fair value of collateral received from clients or their guarantors, and examining underlying documentation supporting the fair value of the collateral received from clients or their guarantors and any settlement of secured margin loans subsequent to the end of the reporting period.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yip Kai Yin, with Practising Certificate number P05131.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
29 April 2020

10/F., 8 Observatory 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		**247,592**	246,313
Gross proceeds from sale of financial asset at fair value through profit or loss ("FVTPL")		**10,239**	16,424
		257,831	262,737
Revenue	*5*		
– Goods and service		**97,717**	97,265
– Interest		**149,875**	149,048
Total revenue		**247,592**	246,313
Cost of inventories and services		**(78,918)**	(79,017)
		168,674	167,296
Other income	*6*	**9,869**	9,025
Other gains and losses	*7*	**(40,781)**	(33,029)
Impairment loss recognised on financial assets at amortised cost, net	*7*	**(93,940)**	(37,692)
Marketing and distribution costs		**(12,541)**	(9,508)
Research and development expenses		**–**	(49)
Administrative expenses		**(62,315)**	(96,131)
Share of profit of an associate		**–**	167
Finance costs	*8*	**(64,337)**	(64,230)
Loss before taxation		**(95,371)**	(64,151)
Income tax credit (expense)	*9*	**9,153**	(3,509)
Loss for the year	*10*	**(86,218)**	(67,660)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of buildings		**3,681**	1,540
Recognition of deferred tax liability arising on revaluation of buildings		**(920)**	(385)
		2,761	1,155
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation		**(2,887)**	(3,964)
Other comprehensive expense for the year		**(126)**	(2,809)
Total comprehensive expense for the year		**(86,344)**	(70,469)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(86,170)**	(68,090)
Non-controlling interests		**(48)**	430
		(86,218)	(67,660)
Total comprehensive expense attributable to:			
Owners of the Company		**(86,296)**	(70,899)
Non-controlling interests		**(48)**	430
		(86,344)	(70,469)
Loss per share	*14*		
– Basic		**(HK3.74 cents)**	(HK2.96 cents)
– Diluted		**(HK3.74 cents)**	(HK2.96 cents)

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**32,381**	33,184
Right-of-use assets	16	**23,471**	–
Prepaid lease payments	17	**–**	12,919
Investment properties	18	**56,700**	54,900
Goodwill	19	**1,900**	35,315
Investment in an associate	20	**167**	167
Equity instrument at FVTPL	26	**10,451**	9,644
Deposits paid for acquisition of subsidiaries		**6,700**	6,700
Deposits paid for formation of an associate	21	**9,726**	10,028
Statutory deposits placed with clearing house		**205**	205
Deferred tax assets	31	**16,017**	7,401
Finance lease receivables	25	**–**	1,676
		157,718	172,139
Current assets			
Inventories	22	**13,721**	14,851
Trade and other receivables	23	**217,467**	287,415
Finance lease receivables	25	**6,016**	10,208
Loans receivables	24	**1,298,944**	1,305,980
Tax recoverable		**–**	1,276
Prepaid lease payments	17	**–**	400
Financial assets at FVTPL	26	**44,166**	46,559
Bank balances (trust and segregated accounts)	27	**56,968**	38,550
Bank balances (general accounts) and cash	27	**275,372**	319,361
		1,912,654	2,024,600
Current liabilities			
Trade and other payables and accruals	28	**116,471**	142,231
Lease liabilities	30	**5,184**	–
Obligation under finance lease		**–**	278
Taxation payable		**18,660**	20,862
Borrowings	29	**36,001**	28,418
		176,316	191,789
Net current assets		**1,736,338**	1,832,811
Total assets less current liabilities		**1,894,056**	2,004,950

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	32	**690,968**	690,968
Reserves		**416,633**	502,929
		1,107,601	1,193,897
Non-controlling interests		**582**	630
Total equity		**1,108,183**	1,194,527
Non-current liabilities			
Bonds	29	**767,677**	798,902
Deferred tax liabilities	31	**12,547**	11,521
Lease liabilities	30	**5,649**	–
		785,873	810,423
		1,894,056	2,004,950

The consolidated financial statements on pages 33 to 131 were approved and authorised for issue by the Board of Directors on 29 April 2020 and are signed on its behalf by:

Leung Kam Por, Ken
DIRECTOR

Ho Kuan Lai
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Property revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Retained profits (Accumulated losses) *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 31 December 2017	690,968	352,753	38,510	23,885	6,540	1,270	182,912	1,296,838	200	1,297,038
Impact on initial application of HKFRS 9	–	–	–	–	–	–	(32,042)	(32,042)	–	(32,042)
Adjusted balance at 1 January 2018	690,968	352,753	38,510	23,885	6,540	1,270	150,870	1,264,796	200	1,264,996
Loss for the year	–	–	–	–	–	–	(68,090)	(68,090)	430	(67,660)
Exchange differences arising from translation	–	–	–	–	(3,964)	–	–	(3,964)	–	(3,964)
Revaluation gain on buildings classified as property, plant and equipment	–	–	–	1,155	–	–	–	1,155	–	1,155
Total comprehensive expense for the year	–	–	–	1,155	(3,964)	–	(68,090)	(70,899)	430	(70,469)
At 31 December 2018	690,968	352,753	38,510	25,040	2,576	1,270	82,780	1,193,897	630	1,194,527
Loss for the year	–	–	–	–	–	–	(86,170)	(86,170)	(48)	(86,218)
Exchange differences arising from translation	–	–	–	–	(2,887)	–	–	(2,887)	–	(2,887)
Revaluation gain on buildings classified as property, plant and equipment	–	–	–	2,761	–	–	–	2,761	–	2,761
Total comprehensive expense for the year	–	–	–	2,761	(2,887)	–	(86,170)	(86,296)	(48)	(86,344)
At 31 December 2019	**690,968**	**352,753**	**38,510**	**27,801**	**(311)**	**1,270**	**(3,390)**	**1,107,601**	**582**	**1,108,183**

* Less than HK$1,000

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	**(95,371)**	(64,151)
Adjustments for:		
Amortisation of prepaid lease payments	**–**	414
Depreciation of property, plant and equipment	**4,488**	5,366
Depreciation of right-of-use assets	**4,317**	–
Finance costs	**64,337**	64,230
Impairment loss recognised on financial assets at amortised cost, net	**93,940**	37,692
Bank interest income	**(185)**	(106)
Fair value changes of:		
– investment properties	**(1,800)**	(1,990)
– financial assets at FVTPL	**9,820**	21,665
– equity instrument at FVTPL	**(807)**	1,106
– contingent consideration	**–**	10,249
Loss on disposal of property, plant and equipment	**3**	–
Loss on disposal of investment properties	**–**	1,987
Loss on disposal of financial assets at FVTPL	**150**	12
Share of profit of an associate	**–**	(167)
Provision (reversal) of allowance for inventories	**1,614**	(336)
Impairment loss of goodwill	**33,415**	–
Operating cash flows before movements in working capital	**113,921**	75,971
(Increase) decrease in inventories	**(758)**	3,748
Decrease (increase) in trade and other receivables	**20,929**	(39,996)
Increase in loan receivables	**(35,227)**	(23,194)
Decrease in finance lease receivables	**1,981**	2,457
(Increase) decrease in financial assets at FVTPL	**(7,577)**	368
(Increase) decrease in bank balances – trust and segregated accounts	**(18,418)**	824
(Decrease) increase in trade and other payables and accruals	**(26,675)**	13,014
Cash generated from operations	**48,176**	33,192
Hong Kong Profits Tax paid, net of refund	**(310)**	(3,243)
Interest paid	**(54,039)**	(54,227)
NET CASH USED IN OPERATING ACTIVITIES	**(6,173)**	(24,278)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(150)**	(956)
Interest received	**162**	106
Withdraw of statutory deposits	**–**	25
Proceeds from disposal of property, plant and equipment	**–**	7
Proceeds from disposal of investment properties	**–**	12,637
Purchase of equity instrument at FVTPL	**–**	(9,750)
Deposit paid for acquisition of subsidiaries	**–**	(6,700)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**12**	(4,631)
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(4,758)**	–
Proceeds from issue of bonds, net of issue cost	**–**	56,179
Repayment of bonds	**(40,963)**	(95,000)
New term loan raised	**28,000**	20,000
Repayment of term loan	**(20,000)**	–
Repayment of bank loans	**(197)**	(984)
Repayment of finance lease	**–**	(20)
NET CASH USED IN FINANCING ACTIVITIES	**(37,918)**	(19,825)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(44,079)**	(48,734)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**314,340**	361,035
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**310**	2,039
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by		
Bank balances (general accounts) and cash	**275,372**	319,361
Bank overdrafts	**(4,801)**	(5,021)
	270,571	314,340

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business of the Company is at 22/F, The Wellington, 198 Wellington Street, Central, Hong Kong. Trading in the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended at the direction of the Securities and Futures Commission since 6 June 2017. As at the date of approval of these financial statements, the trading of shares of the Company remains suspended.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO 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 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 to HKFRSs 2015-2017 Cycle

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

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.1 *HKFRS 16 Leases* *(continued)*

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)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards 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.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits 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 Provision, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with 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; 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.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.1 *HKFRS 16 Leases (continued)*

As a lessee (continued)

The Group recognised lease liabilities of HK$278,000 and right-of-use assets of HK$13,319,000 at 1 January 2019.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	16,056
Less: Recognition exemption – leases with terms ending within 12 months of the date of initial application	(410)
Operating lease commitments of new assets which have not yet commenced as at 1 January 2019	(15,646)
Lease liabilities relating to operating lease recognised upon application of HKFRS 16	–
Add: Obligation under finance leases recognised at 31 December 2018	278
Lease liabilities as at 1 January 2019	278
Analysed as:	
Current	278
Non-Current	–
	278

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

	Note	**Right-of-use assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		–
Reclassified from prepaid lease payments	(a)	13,319
By class:		
Leasehold land		13,319

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.1 HKFRS 16 Leases (continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

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
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	13,319	13,319
Prepaid lease payments	12,919	(12,919)	–
Current assets			
Prepaid lease payments	400	(400)	–
Current liabilities			
Lease liabilities	–	278	278
Obligation under finance lease	278	(278)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of 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.

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

Amendments to HKFRS 3 Definition of a Business

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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 the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (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".

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

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

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.

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.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

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

For the purpose 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, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than its 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 (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investment in associate

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in associate *(continued)*

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

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

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

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

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

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 customer.

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

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

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

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

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

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

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

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

Under HKAS 17 (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.

The Group as lessor

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as obligations under finance leases. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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

Upon the adoption of HKFRS 16 on 1 January 2019

Definition of a lease

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Upon the adoption of HKFRS 16 on 1 January 2019 *(continued)*

As a lessee

Short-term leases

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

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). 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 is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Upon the adoption of HKFRS 16 on 1 January 2019 *(continued)*

As a lessee (continued)

Refundable rental deposits

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

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Lease liabilities

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Upon the adoption of HKFRS 16 on 1 January 2019 *(continued)*

As a lessee (continued)

Lease liabilities *(continued)*

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;

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

As a lessor

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

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

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

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

Borrowing costs

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

Retirement benefit costs

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated profits.

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.

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Provisions

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at 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.

A financial asset is held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

***Financial assets** (continued)*

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets

The Group performed impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loan receivables, lease receivable and bank balances). 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables (excepts for receivable from margin client and clearing house). The ECL on these assets are assessed individually for debtors with significant balances and/or 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 increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk *(continued)*

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

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

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for receivable from margin clients where a shorter period of 30 days past due has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flow used for determining the ECL is consistent with the cashflows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

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 following basis:

- Nature of financial instruments (i.e. the Group's accounts receivable, loans receivable, deposits and other receivables and bank balances are each assessed as a separate group);
- Past-due status; and
- External credit ratings where available.

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instrument

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

Financial liabilities

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Impairment assessment of goodwill allocated to the trading of garment segment and other financial services

In determining where goodwill is impaired requires an estimation of the value in use of cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The value in use has also taken into account the key assumptions used by management including growth rate, budgeted sales, gross margin and inventories price inflation. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill is HK$1,900,000 (net of accumulated impairment of HK$46,333,000) (2018: HK$35,315,000 (net of accumulated impairment of HK$12,918,000)). Details of the recoverable amount calculation are disclosed in note 19.

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

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

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

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

Key sources of estimation uncertainty *(continued)*

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

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

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

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Details of loan receivables, trade receivables arising from securities brokerage business and finance lease receivables are set out in Note 24, 23 and 25.

Establishing groups of assets with similar credit risk characteristics

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

Models and assumptions used

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

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

Key sources of estimation uncertainty *(continued)*

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

Forward-looking information

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

Probability of default (PD)

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

Loss given default (LGD)

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

5. REVENUE AND SEGMENT INFORMATION

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

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

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue

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

	2019	2018
	HK$'000	*HK$'000*
Medical products	**49,812**	47,770
Plastic toys	**17,705**	19,415
Garment accessories	**28,186**	27,946
Fee and commission income	**2,014**	2,134
Revenue from contracts with customers	**97,717**	97,265
Interest income from		
– Loan receivables	**134,117**	132,740
– Margin financing	**15,283**	15,358
– Finance lease	**475**	950
	149,875	149,048
	247,592	246,313

	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition		
A point in time	**97,717**	97,265
Over time	**–**	–
	97,717	97,265

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Performance obligations for contracts with customers

Medical products

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

Plastic toys

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

Garment accessories

The Group sells garment accessories directly to customers and revenue is recognised when control of the goods has transferred, being when the goods have been shipped from the warehouse (delivery). Following delivery, customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery.

Fee and commission income

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

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results

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

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Assets management service HK$'000	Consolidated HK$'000
For the year ended 31 December 2019						
Segment revenue – external	67,517	28,186	15,863	136,026	–	247,592
Segment results	(11,357)	4,399	(38,646)	97,821	157	52,374
Change in fair value of:						
– investment properties						1,800
– financial asset at FVTPL						(9,820)
– equity instrument at FVTPL						807
Realised loss of financial asset at FVTPL						(150)
Property rental income						3,085
Impairment of goodwill						(33,415)
Unallocated corporate income						8,924
Unallocated corporate expenses						(118,976)
Loss before taxation						(95,371)

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Assets management service HK$'000	Consolidated HK$'000
For the year ended 31 December 2018						
Segment revenue – external	67,185	27,946	15,858	135,324	–	246,313
Segment results	(15,959)	2,111	(39,487)	119,968	(911)	65,722
Change in fair value of:						
– investment properties						1,990
– financial asset at FVTPL						(21,665)
– equity instrument at FVTPL						(1,106)
– contingent consideration						(10,249)
Realised loss of financial asset at FVTPL						(12)
Property rental income						3,596
Loss on disposal of investment properties						(1,987)
Share of profit of an associate						167
Unallocated corporate income						744
Unallocated corporate expenses						(101,351)
Loss before taxation						(64,151)

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

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

	Medical products and plastic toys business *HK$'000*	Trading of garments *HK$'000*	Securities brokerage business *HK$'000*	Money lending business and other financial services *HK$'000*	Assets management service *HK$'000*	Consolidated *HK$'000*
As at 31 December 2019						
Segment assets	100,936	15,847	316,287	1,386,048	2,493	1,821,611
Investment properties						56,700
Investment in an associate						167
Deposit paid for forming of an associate						9,726
Deposit paid for acquisition of subsidiaries						6,700
Equity instrument at FVTPL						10,451
Financial assets at FVTPL						44,166
Other unallocated assets						120,851
Total assets						2,070,372
Segment liabilities	47,230	16,086	46,687	7,988	707	118,698
Bonds						767,677
Other unallocated liabilities						75,814
Total liabilities						962,189

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

	Medical products and plastic toys business	Trading of garments	Securities brokerage business	Money lending business and other financial services	Assets management service	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018						
Segment assets	112,792	42,508	364,228	1,323,084	31,840	1,874,452
Investment properties						54,900
Investment in an associate						167
Deposit paid for forming of an associate						10,028
Deposit paid for acquisition of subsidiaries						6,700
Equity instrument at FVTPL						9,644
Financial assets at FVTPL						46,559
Other unallocated assets						194,289
Total assets						2,196,739
Segment liabilities	49,122	15,751	67,923	3,435	4,915	141,146
Bonds						798,902
Other unallocated liabilities						62,164
Total liabilities						1,002,212

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

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

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Assets management service HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2019							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	150	–	–	–	–	–	150
Depreciation of property, plant and equipment	3,696	38	476	278	–	–	4,488
Depreciation of right-of-use assets	399	–	3,918	–	–	–	4,317
Provision of allowance for inventories	1,614	–	–	–	–	–	1,614
(Reversal)/Impairment loss recognised on trade receivables and loan receivables	840	(2,579)	34,709	45,701	–	–	78,671

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Assets management service HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2018							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	943	303	–	8	–	–	1,254
Loss on disposal of investment properties	–	–	–	–	–	1,987	1,987
Depreciation of property, plant and equipment	3,769	–	1,372	225	–	–	5,366
Reversal of allowance for inventories	(336)	–	–	–	–	–	(336)
(Reversal)/Impairment loss recognised on trade receivables and loan receivables	(214)	(1,375)	24,521	14,760	–	–	37,692

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**179,051**	171,248	**70,668**	92,309
Europe*	**39,892**	29,586	**–**	–
The United States of America	**8,446**	16,775	**–**	–
The PRC (excluding Hong Kong)	**8,724**	13,610	**43,766**	43,961
Australia	**1,723**	1,562	**–**	–
South America	**296**	408	**–**	–
Others*	**9,460**	13,124	**18**	48
	247,592	246,313	**114,452**	136,318

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

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

Information about major customers

The Group's revenue from external customers is mainly derived from the PRC and Hong Kong. For the years ended 31 December 2019 and 2018, there was no single customer which amounted for more than 10% of total revenue.

6. OTHER INCOME

	2019 *HK$'000*	2018 *HK$'000*
Bank interest income	**185**	106
Rental income	**3,085**	3,596
Other commission income	**860**	90
Others	**5,739**	5,233
	9,869	9,025

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

(a) Other gains and losses

	2019 *HK$'000*	2018 *HK$'000*
Impairment loss on goodwill	**(33,415)**	–
Loss on disposal of property, plant and equipment	**(3)**	–
Loss on disposal of investment properties	**–**	(1,987)
Loss on disposal of financial asset at FVTPL	**(150)**	(12)
Fair value changes of:		
– investment properties	**1,800**	1,990
– financial asset at FVTPL	**(9,820)**	(21,665)
– equity instrument at FVTPL	**807**	(1,106)
– contingent consideration	**–**	(10,249)
	(40,781)	(33,029)

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

	2019 *HK$'000*	2018 *HK$'000*
Impairment loss reversed (recognised) on trade receivables arising from:		
– medical products and plastic toys business and trading of garments	**1,739**	1,589
– securities brokerage business	**(34,706)**	(24,521)
Impairment loss recognised on finance lease receivables	**(3,729)**	(1,173)
Impairment loss recognised on loan receivables	**(41,971)**	(13,587)
Impairment loss recognised on other receivables	**(15,273)**	–
	(93,940)	(37,692)

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on		
– Bank overdrafts and loans	**2,683**	1,260
– Bonds	**61,094**	62,970
– Lease liabilities	**560**	–
	64,337	64,230

9. INCOME TAX (CREDIT) EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**60**	5,522
The PRC Enterprise Income Tax ("EIT")	**721**	930
Other jurisdictions	**–**	(201)
	781	6,251
Overprovision in prior years:		
Hong Kong Profits Tax	**(1,397)**	–
	(616)	6,251
Deferred taxation:		
Current year	**(8,537)**	(2,742)
	(9,153)	3,509

9. INCOME TAX (CREDIT) EXPENSE *(continued)*

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

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

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

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

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

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

	2019 ***HK$'000***	2018 *HK$'000*
Loss before taxation	**(95,371)**	(64,151)
Tax credit at Hong Kong Profits Tax rate of 16.5%	**(15,736)**	(10,585)
Tax effect of share of profit of an associate	**–**	(28)
Tax effect of expenses not deductible for tax purposes	**8,586**	13,368
Tax effect of income not taxable for tax purposes	**(4,068)**	(346)
Tax effect of tax losses not recognised	**3,559**	794
Overprovision in prior years	**(1,397)**	–
Effect of different tax rates of subsidiaries operate in other jurisdictions	**(97)**	306
Income tax (credit) expense	**(9,153)**	3,509

Details of movements in deferred taxation are set out in note 31.

10. LOSS FOR THE YEAR

	2019 *HK$'000*	2018 *HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Salaries, allowances and bonuses, including those of directors	**32,740**	28,048
Contributions to retirement benefit schemes, including those of directors	**1,240**	1,510
Total employee benefits expense, including those of directors	**33,980**	29,558
Amortisation of prepaid lease payments	**–**	414
Auditor's remuneration	**1,080**	1,050
Cost of inventories recognised as an expense	**78,889**	78,762
Depreciation of property, plant and equipment	**4,488**	5,366
Depreciation of right-of-use assets	**4,317**	–
Provision (reversal) of allowance for inventories	**1,614**	(336)
Bank interest income	**(185)**	(106)
Property rental income net of negligible outgoing expenses	**(3,085)**	(3,596)

11. DIRECTORS' EMOLUMENTS

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

2019

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

11. DIRECTORS' EMOLUMENTS *(continued)*

2018

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Contribution to retirement benefits scheme *HK$'000*	Total emoluments *HK$'000*
Executive directors				
Chen Chun Chieh	–	1,282	39	1,321
Huang Shen Kai *(note b)*	–	30	–	30
Lai Kin Chung, Kenneth *(note c)*	–	722	36	758
Ho Kuan Lai	–	657	–	657
Independent non-executive directors				
Lam Williamson *(note d)*	60	–	–	60
Yu Tat Chi Michael *(note e)*	168	–	–	168
Yang Haihui *(note e)*	110	–	–	110
Ye Jianxin *(note f)*	66	–	–	66
Chern Shyh Feng *(note g)*	12	–	–	12
Lam Chak Man *(note g)*	10	–	–	10
Hsu Hong Te *(note g)*	12	–	–	12
Total	438	2,691	75	3,204

Notes:

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

b. Mr. Huang Shen Kai resigned as executive director on 6 April 2018.

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

d. Mr. Lam Willanson was appointed as an independent non-executive director on 20 July 2018.

e. Mr. Yu Tat Chi Michael and Mr. Yang Haihui were appointed as an independent non-executive director on 6 February 2018.

f. Mr. Ye Jianxin resigned as an independent non-executive director on 20 July 2018.

g. Mr. Chern Shyh Feng, Mr. Lam Chak Man and Mr. Hsu Hong Te resigned as an independent non-executive director on 6 February 2018.

11. DIRECTORS' EMOLUMENTS *(continued)*

Notes: (continued)

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

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company has waived any remuneration during the years ended 31 December 2019 and 2018.

12. EMPLOYEES' EMOLUMENTS

Among the five individuals with the highest emoluments in the Group for the year ended 31 December 2019, two (2018: one) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2018: four) individuals are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries and other benefits	**2,668**	5,423
Contribution to retirement benefits scheme	**34**	68
	2,702	5,491

Their emoluments were within the following bands:

	2019	2018
Below HK$1,000,001	**3**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	1

13. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: nil).

14. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company, for the purpose of basic and diluted loss per share	**(86,170)**	(68,090)

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

The computation of diluted loss per share for the year ended 31 December 2019 and 2018 does not assume the exercise of the Company's share option as the exercise would result in an decrease in loss per share for the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Building *HK$'000*	Leasehold improvement *HK$'000*	Plant & machinery *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST OR VALUATION						
At 1 January 2018	29,190	4,302	21,807	3,602	3,069	61,970
Exchange realignment	(1,739)	(53)	(213)	(107)	(653)	(2,765)
Additions	–	–	317	634	303	1,254
Disposals	–	–	(24)	–	(199)	(223)
Adjustment on valuation	258	–	–	–	–	258
At 31 December 2018 and at 1 January 2019	27,709	4,249	21,887	4,129	2,520	60,494
Exchange realignment	(699)	(25)	(479)	(36)	(7)	(1,246)
Additions	–	–	134	16	–	150
Disposal	–	–	(29)	–	–	(29)
Adjustment on valuation	1,679	–	–	–	–	1,679
At 31 December 2019	28,689	4,224	21,513	4,109	2,513	61,048
DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	–	2,244	19,828	2,071	1,585	25,728
Exchange realignment	(1,326)	(26)	(417)	(63)	(886)	(2,718)
Provided for the year	2,608	1,324	496	697	241	5,366
Disposals	–	–	17	–	199	216
Adjustment on valuation	(1,282)	–	–	–	–	(1,282)
At 31 December 2018 and at 1 January 2019	–	3,542	19,924	2,705	1,139	27,310
Exchange realignment	(610)	(17)	(445)	(24)	(7)	(1,103)
Provided for the year	2,612	374	495	606	401	4,488
Disposals	–	–	(26)	–	–	(26)
Adjustment on valuation	(2,002)	–	–	–	–	(2,002)
At 31 December 2019	–	3,899	19,948	3,287	1,533	28,667
CARRYING AMOUNT						
At 31 December 2019	28,689	325	1,565	822	980	32,381
At 31 December 2018	27,709	707	1,963	1,424	1,381	33,184

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

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

Buildings	2% or the remaining period of the leases, if shorter
Leasehold improvements	10-20% or the remaining period of the leases, if shorter
Plant and machinery	10-20%
Furniture, fixtures and equipment	20-33$^{1}/_{3}$%
Motor vehicles	20-50%

The Group revalued its buildings at 31 December 2019 and 31 December 2018. The revaluation gain for the year ended 31 December 2019 amounting to HK$3,681,000 which were debited directly to the property revaluation reserve (2018: revaluation gain of HK$1,540,000).

At 31 December 2019, the buildings in the PRC amounting to HK$28,689,000 (2018: HK$27,709,000) were valued under depreciated replacement costs approach.

Fair value measurement of the Group's buildings

The fair values of the Group's land and buildings were revalued at 31 December 2019 and 2018 by independent property valuers not connected to the Group.

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

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

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

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

Reconciliation of Level 3 fair value measurements

	Buildings
	HK$'000
At 1 January 2018	29,190
Exchange realignment	(413)
Depreciation	(2,608)
Revaluation	1,540
At 31 December 2018 and at 1 January 2019	27,709
Exchange realignment	(89)
Depreciation	(2,612)
Revaluation	3,681
At 31 December 2019	28,689

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

Description	**Fair value as at 31 December 2019**	**31 December 2018**	**Valuation techniques**	**Unobservable inputs**	**Relationship of unobservable inputs of fair value**
	HK$'000	*HK$'000*			
Properties located in the PRC					
Industrial office units	**28,689**	27,709	Depreciated replacement cost approach	Adjusted building construction cost after taking into account the difference in individual factor	An increase in the building construction cost would result in the increase in the comparable fair value and vice versa.

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at HK$3,885,000 (2018: HK$4,232,000).

16. RIGHT-OF-USE ASSETS

	Land use rights HK$'000	Leasehold building HK$'000	Total HK$'000
Cost:			
At 1 January 2019	13,319	–	13,319
Addition	–	14,753	14,753
At 31 December 2019	13,319	14,753	28,072
Accumulated depreciation:			
At 1 January 2019	–	–	–
Charge for the year	683	3,918	4,601
At 31 December 2019	683	3,918	4,601
Carrying amount:			
At 31 December 2019	12,636	10,835	23,471
At 1 January 2019	13,319	–	13,319

Notes:

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

17. PREPAID LEASE PAYMENTS

	2018
	HK$'000
Analysed for reporting purpose as:	
Current assets	400
Non-current assets	12,919
	13,319

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2018	71,676
Change in fair value recognised in profit or loss	1,990
Disposal	(14,624)
Exchange realignment	(4,142)
At 31 December 2018 and at 1 January 2019	54,900
Change in fair value recognised in profit or loss	1,800
At 31 December 2019	56,700

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

18. INVESTMENT PROPERTIES *(continued)*

The fair values of the Group's investment properties at 31 December 2019 and 2018 have been arrived at on the basis of a valuation carried out on the respective dates by independent qualified professional valuers not connected to the Group.

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

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

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

Description	Fair value as at 31 December 2019 *HK$'000*	31 December 2018 *HK$'000*	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Property located in Hong Kong					
Commercial office unit	**7,500**	8,100	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square meter used would result in an increase in the fair value and vice versa.
Residential unit and residential car parking space	**49,200**	46,800	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square meter used would result in an increase in the fair value and vice versa.

19. GOODWILL

	HK$'000
COST	
At 1 January 2018, at 31 December 2018 and at 31 December 2019	48,233
IMPAIRMENT	
At 1 January 2018, at 31 December 2018 and at 1 January 2019	12,918
Impairment loss recognised	33,415
At 31 December 2019	46,333
CARRYING AMOUNTS	
At 31 December 2019	1,900
At 31 December 2018	35,315

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

	2019 ***HK$'000***	2018 *HK$'000*
Trading of garments *(Note)*	**–**	30,000
Money lending business and other financial services	**1,900**	5,315
	1,900	35,315

19. GOODWILL *(continued)*

Note:

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

The recoverable amount of this CGU from trading of garments has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 9.5%. The cash flows beyond the 5-year period are extrapolated growth rate of 3%. Cash flow projection during the 5-year budget period is based on the budgeted sales and expected gross margins and the inflation on cost of sales and expenses during the projection period. Expected cash inflows/outflows, which include budgeted sales, gross margin and inventories price inflation have been determined based on past performance and management's expectations for the market development.

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

20. INVESTMENT IN AN ASSOCIATE

	2019	2018
	HK$'000	*HK$'000*
Cost of unlisted investment	**16,000**	16,000
Share of post-acquisition losses	**(15,833)**	(15,833)
	167	167

Details of the Group's associate as at 31 December 2019 and 2018 are as follows:

Name of associate	**Form of business structure**	**Place of incorporation**	**Issued and fully paid share capital**		**Effective interest in the issued share capital**		**Principal activity**
			2019	2018	**2019**	2018	
Fullsino Management Limited* ("Fullsino")	Incorporated	Hong Kong	**HK$40,000,000**	HK$40,000,000	**40%**	40%	Provision of beauty and wellness services

20. INVESTMENT IN AN ASSOCIATE *(continued)*

Summarised financial information of Fullsino is set out below:

	2019 ***HK$'000***	2018 *HK$'000*
Total assets	**417**	417
Total liabilities	**–**	–
Net assets	**417**	417
Group's share of net assets	**167**	167
Revenue	**–**	–
Profit for the year and total comprehensive expenses	**–**	18,829
Group's share of profit of the associate for the year	**–**	7,532

21. DEPOSITS PAID FOR FORMATION OF AN ASSOCIATE

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

On 16 January 2020, Black Marble entered into an agreement with various independent third parties to terminate the setting up of Guangdong Silk with the deposit previously paid shall be refunded to the Group. Up to the date of this report, the Company received approximately RMB8,713,000 after deducting the expenses shared by the Company to set up the associate.

* *For identification purpose only*

22. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**6,822**	11,046
Work in progress	**1,007**	904
Finished goods	**5,892**	2,901
	13,721	14,851

During the year, a provision of allowance of HK$1,614,000 (2018: reversal of allowance of HK$336,000) was recognised in cost of sales for obsolete and slow-moving inventory items identified.

23. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables arising from:		
Medical products and plastic toys business and trading of garments *(Note a)*	**29,420**	38,237
Less: allowance for ECL	**(13,993)**	(15,758)
	15,427	22,479
Securities brokerage business *(Note b)*:		
– Cash clients	**515**	8,250
– Margin clients	**193,338**	201,694
– Clearing house	**46**	–
Less: allowance for ECL	**(68,637)**	(33,931)
	125,262	176,013
Total trade receivables	**140,689**	198,492
Purchase deposits, other receivables and deposits	**74,136**	50,374
Prepayments	**2,642**	38,549
Total trade and other receivables and prepayments	**217,467**	287,415

23. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**7,138**	10,799
31 to 90 days	**4,969**	9,298
Over 90 days	**3,320**	2,382
	15,427	22,479

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

Details of impairment assessment are set out in note 35.

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

Trade receivables from margin clients, net of individually impaired receivables, amounting to HK$124,701,000 (2018: HK$167,763,000) as at 31 December 2019 are secured by clients' pledged securities with fair value of HK$69,646,000 (2018: HK$120,287,000). All of the pledged securities are listed equity securities in Hong Kong. The margin loans are repayable on demand subsequent to settlement date and carry interest at Hong Kong Prime rate plus margin that ranges from 8% to 15% (2018: ranges from 8% to 15%) per annum. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

Details of impairment assessment are set out in note 35.

The Group has concentration of credit risk as 63% (2018: 55%) of the total loans to margin clients was due from the Group's five largest margin clients. The whole amount is secured by clients' pledged securities with the fair value of HK$72,976,000 (2018: HK$41,024,000) as at 31 December 2019. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

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

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

24. LOANS RECEIVABLES

	2019 *HK$'000*	2018 *HK$'000*
Loans receivables	**1,202,356**	1,240,105
Interest receivables	**163,283**	106,559
	1,365,639	1,346,664
Factoring loan receivables	**15,960**	–
	1,381,599	1,346,644
Loss allowance for ECL	**(82,655)**	(40,684)
	1,298,944	1,305,980
Analysed as:		
Secured	**274,106**	374,783
Unsecured	**1,024,838**	931,197
	1,298,944	1,305,980

The total amounts are repayable on demand or within one year from the end of the reporting period. Interest rate on the fixed rate loans receivables as at 31 December 2019 was ranged from 6% to 12% per annum (2018: from 6% to 12% per annum).

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

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

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

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

Detail of impairment assessment are set out in note 35.

25. FINANCE LEASE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Finance lease receivables	**10,845**	13,077
Loss allowance for ECL	**(4,829)**	(1,193)
	6,016	11,884
Analysed as:		
– Current	**6,016**	10,208
– Non-current	**–**	1,676
	6,016	11,884

Details of leasing arrangements

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

25. FINANCE LEASE RECEIVABLES *(continued)*

Details of leasing arrangements *(continued)*

Amount receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**10,947**	11,672	**10,845**	11,233
Later than one year and no later than five years	**–**	1,870	**–**	1,844
Later than five years	**–**	–	**–**	–
	10,947	13,542	**10,845**	13,077
Less: unearned finance income	**(102)**	(465)	**N/A**	N/A
Present value of minimum lease payments receivables	**10,845**	13,077	**10,845**	13,077

Details of impairment assessment are set out in note 35.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 *HK$'000*	2018 *HK$'000*
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	**38,166**	40,559
– Debt securities traded in Hong Kong	**6,000**	6,000
	44,166	46,559
Unlisted equity fund	**10,451**	9,644
	54,617	56,203
Analysed for reporting purpose as:		
Current assets	**44,166**	46,559
Non-current assets	**10,451**	9,644
	54,617	56,203

The Group has recorded a loss on fair value changes of held-for-trading investments for the year ended 31 December 2019 of approximately HK$9.8 million (2018: approximately HK$21.7 million).

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

27. BANK BALANCES AND CASH

Bank balances-trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has also recognised the corresponding trade payables to respective clients and other respective clients and other institutions (note 28). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amount comprises balances and cash held by the Group and short term bank deposits with original maturity within 3 months. At 31 December 2019, bank balances and short term bank deposits carried interest at market rates ranging from 0.01% to 3% (2018: 0.01% to 3%) per annum.

28. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Trade payables arising from:		
Medical products and plastic toys business and trading of garments	22,160	25,138
Securities brokerage business		
– Cash clients	10,127	11,310
– Margin clients	19,652	27,235
– Clearing house	525	13,277
Total trade payables	52,464	76,960
Accrued expenses	12,477	5,050
Other payables	51,530	60,221
	116,471	142,231

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	13,258	13,987
31 to 90 days	3,211	4,644
Over 90 days	5,691	6,507
	22,160	25,138

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

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

As at 31 December 2019, the trade payables amounting to HK$56,968,000 (2018: HK$38,550,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

29. BORROWINGS AND BONDS

	2019	2018
	HK$'000	*HK$'000*
Bank overdrafts	**4,801**	5,021
Bank loans	**3,200**	3,397
Term loan	**28,000**	20,000
	36,001	28,418
Bonds	**767,677**	798,902
	803,678	827,320
Analysed as:		
Secured	**36,001**	28,418
Unsecured	**767,677**	798,902
	803,678	827,320
Carrying amount repayable for borrowings that contain a repayable on demand clause:*		
Within one year	**33,004**	25,220
More than one year but not more than two years	**208**	203
More than two years but not more than five years	**654**	639
More than five years	**2,135**	2,356
	36,001	28,418
Less: Amounts due within one year shown under current liabilities	**(36,001)**	(28,418)
Amounts shown under non-current liabilities	**–**	–

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

Movement of bank and term loans is as follows:

	2019	2018
	HK$'000	*HK$'000*
As at 1 January	**23,397**	4,381
New borrowings raised	**28,000**	20,000
Repayment of the principal	**(20,197)**	(984)
As at 31 December	**31,200**	23,397

29. BORROWINGS AND BONDS *(continued)*

The carrying amounts of bonds are repayable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	–	–
More than one year but not more than two years	–	–
More than two years but not more than five years	283,393	–
More than five years	484,284	798,902
	767,677	798,902
Less: Amounts due within one year shown under current liabilities	–	–
Amounts shown under non-current liabilities	767,677	798,902

Movement of the bonds is as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	798,902	827,720
Proceeds from the bond issue (cash flow)	–	69,600
Accrued interests	61,094	62,970
Interest paid (cash flow)	(51,356)	(52,967)
Repayments (cash flow)	(40,963)	(95,000)
Transaction cost	–	(13,421)
At 31 December	767,677	798,902

As at 31 December 2019, the Group had aggregate outstanding borrowings comprising (i) bank borrowings of HK$1,483,000 (2018: HK$1,628,000) and bank overdrafts of HK$1,809,000 (2018: HK$2,011,000) secured by a property of the Group and guaranteed by a director of a subsidiary of the Group, (ii) bank borrowing of HK$1,716,000 (2018: HK$1,769,000) and bank overdrafts of HK$2,992,000 (2018: HK$3,010,000) secured by properties owned by and guaranteed by a director of a subsidiary of the Group, and (iii) term loan of HK$28,000,000 (2018: HK$20,000,000) secured by the investment properties of the Group.

The Group's bank loans were at variable-rate interest ranged from Hong Kong prime rate plus 1% (2018: Hong Kong prime rate plus 1%) per annum.

29. BORROWINGS AND BONDS *(continued)*

The Group's term loans is at fixed-rate interest at 13.00% (2018: 13.00%) per annum.

During the year ended 31 December 2019, the Group issued bonds with an aggregate principal amount of HK$830,200,000 (2018: HK$880,200,000). The bonds are unsecured with maturity date falling on the eighth anniversary of the issue date, respectively. The interest rate of the bonds is fixed at 6% and 4% per annum, respectively, and the interest is paid annually.

30. LEASE LIABILITIES

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

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

	Minimum lease payments *HK$'000*	**Present value of lease liabilities** *HK$'000*
Minimum lease payment due:		
– Within one year	**5,659**	**5,184**
– more than one year but not more than two years	**5,836**	**5,649**
– more than two years but not more than five years	**–**	**–**
– Over five years	**–**	**–**
	11,495	**10,833**
Future finance charges	**(662)**	
Present value of lease liabilities	**10,833**	
Amounts due for settlement within one year (shown under current liabilities)		**5,184**
Amounts due for settlement after one year		**5,649**

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

31. DEFERRED TAX (ASSETS) LIABILITIES

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

	Difference between accounting and tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Loss allowance for ECL *HK$'000*	Total *HK$'000*
At 31 December 2017	86	11,218	–	11,304
Impact of initial application of HKFRS 9	–	–	(4,471)	(4,471)
Adjusted balance at 1 January 2018	86	11,218	(4,471)	6,833
Credit to profit or loss	(500)	–	(2,242)	(2,742)
Charge to other comprehensive income	–	385	–	385
Exchange realignment	(274)	(82)	–	(356)
At 31 December 2018 and at 1 January 2019	(688)	11,521	(6,713)	4,120
Credit to profit or loss	(229)	106	(8,414)	(8,537)
Charge to other comprehensive income	–	920	–	920
Exchange realignment	–	–	27	27
At 31 December 2019	(917)	12,547	(15,100)	(3,470)

31. DEFERRED TAX (ASSETS) LIABILITIES *(continued)*

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

At 31 December 2019, the Group had unused tax losses of HK$252,647,000 (2018: HK$231,053,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. The unused tax losses of HK$242,176,000 (2018: HK$219,244,000) may be carried forward indefinitely and the unused tax losses of HK$10,471,000 (2018: HK$11,809,000) will expire in the following years ended 31 December:

	2019 ***HK$'000***	2018 *HK$'000*
2019	**–**	1,338
2020	**6,397**	6,397
2021	**2,947**	2,947
2022	**1,127**	1,127
2023	**–**	–
2024	**–**	–
	10,471	11,809

32. SHARE CAPITAL

	2019 ***HK$'000***	2018 *HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.5 each	**5,000,000**	5,000,000
Issued and fully paid:		
767,741,379 ordinary shares of HK$0.5 each	**383,871**	383,871
Issued and partially paid:		
1,535,482,758 ordinary shares of HK$0.5 each	**307,097**	307,097
2,303,224,137 ordinary shares of HK$0.5 each	**690,968**	690,968

33. SHARE OPTIONS

2012 Scheme

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

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

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

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

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

No share option was outstanding as at 31 December 2019 and 2018.

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt which includes borrowings and bonds disclosed in note 29, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, special reserve, property revaluation reserve, translation reserve, share option reserve, capital redemption reserve and accumulated profits, as disclosed in the consolidated financial statements.

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

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

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Fair value through profit or loss (FVTPL)		
Mandatorily measured at FVTPL		
– Held-for-trading	**44,166**	46,559
– Others	**10,451**	9,644
Amortised cost	**1,852,330**	1,922,965
Financial liabilities		
Amortised cost	**920,149**	852,458

(b) Financial risk management objectives and policies

Credit risk and impairment assessment

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

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

35. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Trade receivables arising from contracts with customers

The Group has concentration of credit risk as 14% (2018: 12%) and 48% (2018: 45%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the medical products and plastic toys business and trading of garment and securities brokerage business. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for trade receivables arising from cash and margin client, which are assessed for impairment individually, the remaining trade receivables is grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Reversal of HK$2,579,000 (2018: reversal of HK$1,589,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

35. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Loan receivables

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

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

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

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2019 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000	2018 Gross carrying amount HK$'000	2018 Gross carrying amount HK$'000
Financial assets at amortised cost								
Loan receivables	24	N/A	Low risk	12m ECL	**1,131,979**		738,400	
			Doubtful	Lifetime ECL (not credit-impaired)	**102,816**		–	
			Loss	Credit-impaired	**146,804**	**1,381,599**	608,264	1,346,664
Bank balances	27	WR-Aal	N/A	12m ECL	**332,340**	**332,340**	357,911	357,911
Trade receivable arising from medical products and plastic toys business and trading of garments	23	N/A	Note 1	Lifetime ECL (provision matrix)	**29,420**	**29,420**	38,237	38,237
Trade receivable arising from securities brokerage business	23	N/A	Low risk	12m ECL	**41,967**		173,362	
			Doubtful	Lifetime ECL (not credit-impaired)	**19,742**		–	
			Loss	Credit-impaired	**132,190**	**193,899**	36,582	209,944
Finance lease receivable	25	N/A	Low risk	Lifetime ECL (not credit-impaired)	**759**		–	
			Loss	Credit-impaired	**10,086**	**10,845**	13,077	13,077
Other receivables	23	N/A	Loss	Credit-impaired	**89,409**	**89,409**	50,374	50,374

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

35. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

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

	2019		**2018**	
	Loss rate	**Trade receivables** *HK$'000*	Loss rate	Trade receivables *HK$'000*
Current (not past due)	**0.98%-6.61%**	**10,028**	2.00%-19.29%	15,299
1-30 days past due	**2.28%-7.72%**	**2,078**	16.00%-21.37%	3,663
31-120 days past due	**5.27%-11.23%**	**1,279**	17.00%-29.79%	2,054
over 120 days	**11.41%-100.00%**	**2,042**	21.00%-100.00%	1,463
		15,427		22,479

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

During the year ended 31 December 2019, the Group provided HK$2,579,000 (2018: HK$1,589,000) impairment allowance for trade receivables arising from medical products and plastic toys business and trading of garments, based on the provision matrix.

35. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

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

	Lifetime ECL (not credit-impaired) *HK$'000*
As at 1 January 2018	**17,391**
Changes due to financial instruments recognised as at 1 January 2018:	
– Impairment losses reversed	**(1,589)**
Exchange adjustments	**(44)**
As at 31 December 2018	**15,758**
Changes due to financial instruments recognised as at 1 January 2019:	
– Impairment losses reversed	**(1,739)**
Exchange adjustments	**(26)**
As at 31 December 2019	**13,993**

35. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

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

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

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2018	62	–	–	62
Changes due to financial instruments recognised as at 1 January 2018:				
– Transfer to credit-impaired	(62)	–	62	–
– Impairment losses recognised	–	–	1,173	1,173
Exchange adjustments	–	–	(42)	(42)
As at 31 December 2018	–	–	1,193	1,193
Changes due to financial instruments recognised as at 1 January 2019:				
– Impairment losses recognised	–	–	3,729	3,729
Exchange adjustments	–	–	(93)	(93)
As at 31 December 2019	–	–	4,829	4,829

35. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

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

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2018	3,232	–	23,865	27,097
Changes due to financial instruments recognised as at 1 January 2018:				
– Transfer to credit-impaired	(681)	–	681	–
– Impairment losses recognised	1	–	18,714	18,715
– Impairment losses reversed	(287)	–	(5,136)	(5,423)
New financial assets originated or purchased	295	–	–	295
As at 31 December 2018	2,560	–	38,124	40,684
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(149)	–	149	–
– Transfer to lifetime ECL	(259)	2,292	(2,033)	–
– Transfer to 12m ECL	28,587	–	(28,587)	–
– Impairment losses recognised	191	725	71,033	71,949
– Impairment losses reversed	(27,802)	(1,739)	(529)	(30,070)
New financial assets originated or purchased	92	–	–	92
As at 31 December 2019	3,220	1,278	78,157	82,655

35. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

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

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2018	–	–	9,410	9,410
Changes due to financial instruments recognised as at 1 January 2018:				
– Impairment losses recognised	–	–	24,600	24,600
– Impairment losses reversed	–	–	(79)	(79)
As at 31 December 2018	–	–	33,931	33,931
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to 12m ECL	642	–	(642)	–
– Impairment losses recognised	–	–	41,041	41,041
– Impairment losses reversed	(641)	–	(5,694)	(6,335)
As at 31 December 2019	1	–	68,636	68,637

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

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018	–	–	–	–
Changes due to financial instruments recognised as at 1 January 2019:				
– Impairment losses recognised	–	–	15,273	15,273
As at 31 December 2019	–	–	15,273	15,273

35. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk

(i) Currency risk

Foreign currency risk management

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Monetary Assets		
RMB	**525**	140
US$	**43,499**	12,217
HK$	**1,003**	2,035
Monetary Liabilities		
HK$	**8**	4

35. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. No sensitivity analysis is presented for HKD against USD as HKD is pegged to USD. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A negative (positive) number below indicates an increase (a decrease) in loss before tax for the year where the functional currency of the relevant group entity strengthen 5% (2018: 5%) against the relevant foreign currency. For a 5% (2018: 5%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on loss before tax for the year.

	RMB impact	
	2019	2018
	HK$'000	*HK$'000*
Monetary assets and liabilities	**26**	7

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

(ii) Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to cash and margin clients receivables (see note 23), variable-rate borrowings (see note 29) and bank balances (general accounts) (see note 27).

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

35. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis

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

As at 31 December 2019, if the interest rate had been 10 basis points (2018: 10 basis points) higher/lower and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK$358,000 (2018: HK$390,000).

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bonds and term loan (see note 29 for details of these bonds).

(iii) Equity price risk

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

Sensitivity analysis

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

If the price of the respective held-for-trading investments had been 20% (2018: 20%) lower, the Group's loss for the year would increase by HK$7,376,000 (2018: the Group's loss for the year would decrease by HK$7,775,000).

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

Liquidity risk

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

35. FINANCIAL INSTRUMENTS *(continued)*

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

***Liquidity risk** (continued)*

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

	Weighted average interest rate	On demand or less than 1 month HK$'000	31-90 days HK$'000	91-365 days HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2019								
Non-derivative financial liabilities								
Trade and other payables	–	103,213	13,258	–	–	–	116,471	116,471
Variable rate – borrowings	4.75%	8,001	–	–	–	–	8,001	8,001
Fixed rate – term loan	11.00%	28,000	–	–	–	–	28,000	28,000
Lease liabilities	5.62%	459	917	4,126	5,993	–	11,495	10,833
Bonds	6.00%	–	–	49,812	498,424	538,208	1,086,444	767,677
		139,673	14,175	53,938	504,417	538,208	1,250,411	930,982

	Weighted average interest rate	On demand or less than 1 month HK$'000	31-90 days HK$'000	91-365 days HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2018								
Non-derivative financial liabilities								
Trade and other payables	–	131,080	4,644	6,507	–	–	142,231	142,231
Variable rate – borrowings	2.32%	8,418	–	–	–	–	8,418	8,418
Fixed rate – term loan	13.00%	20,000	–	–	–	–	20,000	20,000
Bonds	6.00%	–	–	53,412	213,648	974,930	1,241,990	798,902
		159,498	4,644	59,919	213,648	974,930	1,412,639	969,551

35. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

Bank loans and a term loan with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2019 and 31 December 2018, the aggregate undiscounted principal amounts of these bank loans amounted to HK$36,001,000 and HK$28,418,000, respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks and lender will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans and a term loan will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details at which are set out in below table:

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	2-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amounts *HK$'000*
2019								
Non-derivative financial liabilities								
Variable rate – borrowings	5.25%	4,824	46	206	1,100	2,499	8,675	8,001
Fixed rate – term loan	11.00%	257	513	28,455	–	–	29,225	28,000
2018								
Non-derivative financial liabilities								
Variable rate – borrowings	2.32%	5,044	46	206	1,099	2,772	9,167	8,418
Fixed rate – term loan	13.00%	216	432	21,080	–	–	21,728	20,000

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

(c) Fair value

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

35. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Fair value measurement of financial assets and financial liabilities

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

Financial assets/ financial liabilities	Fair value as at 31 December 2019 HK$'000	Fair value as at 31 December 2018 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity investment held for trading	**44,166**	46,559	Level 1	Quoted bid prices in an active market
Unlisted investment funds	**10,451**	9,644	Level 3	Adjusted net asset value

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

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

Reconciliation of Level 3 fair value	**Equity instrument at FVTPL** *HK$'000*
At 1 January 2018	1,000
Losses in profit or loss	(1,106)
Purchase	9,750
At 31 December 2018	9,644
Gains in profit or loss	807
At 31 December 2019	10,451

Of the total gains for the period included in profit or loss, HK$10,451,000 relates to equity instrument at FVTPL held at the end of the current reporting period. Fair value gains on equity instrument at FVTPL are included in 'other gains and losses'.

35. FINANCIAL INSTRUMENTS *(continued)*

(d) Financial asset and financial liabilities offsetting

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

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

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

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

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

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

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

35. FINANCIAL INSTRUMENTS *(continued)*

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

	Gross amount of recognised as financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019						
Financial liabilities						
Amounts due to clearing house and trade payables from securities brokerage business	**57,730**	**(207)**	**57,523**	**(56,963)**	**–**	**560**

	Gross amounts of recognised as financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018						
Financial assets						
Amounts due from clearing house and trade receivables from securities brokerage business	382,143	(206,130)	176,013	–	(165,111)	10,902
Statutory deposits placed with clearing house	205	–	205	(205)	–	–

35. FINANCIAL INSTRUMENTS *(continued)*

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

	Gross amount of recognised as financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018						
Financial liabilities						
Amounts due to clearing house and trade payables from securities brokerage business	257,952	(206,130)	51,822	(38,550)	–	13,272

Note: The cash and financial collateral received/pledged as at 31 December 2019 and 2018 represent their fair values.

36. RELATED PARTY DISCLOSURES

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

(a) Transaction with its related party:

Name of party	Nature of transaction	2019	2018
		HK$'000	*HK$'000*
Mr. Lai Kin Chung, Kenneth *(note)*	Interest income from a director	**5**	36

(b) Compensation of key management personnel

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

	2019	2018
	HK$'000	*HK$'000*
Short-term employee benefits	**3,058**	3,204

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

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

37. OPERATING LEASE COMMITMENTS AND ARRANGEMENTS

Operating lease payments represent rentals payable by the Group for certain of its office premises, lease properties and staff quarters. Leases are negotiated for an average term of two years in the year ended 31 December 2018.

The Group as lessor

Property rental income earned during the year was HK$3,085,000 (2018: HK$3,596,000).

The Group as lessee

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

	2018
	HK$'000
Within one year	3,062
In the second to fifth year inclusive	4,733
	7,795

38. COMMITMENT

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

	2019	2018
	HK$'000	*HK$'000*
Capital expenditure in respect of the formation of an investment	**414,476**	423,716

39. RETIREMENT BENEFITS SCHEME

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

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

The total cost of HK$1,240,000 (2018: HK$1,510,000) charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid or payable by the Group for the year.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2019 and 2018 are as follows:

	Notes	2019 *HK$'000*	2018 *HK$'000*
Non-current asset			
Investment in subsidiaries		**304,971**	304,971
Current assets			
Other receivables & prepayments		**449**	1,686
Amounts due from subsidiaries	*(a)*	**2,038,414**	2,071,075
Bank balances		**7,315**	14,510
		2,046,178	2,087,271
Current liabilities			
Other payables		**31,848**	33,891
Taxation payable		**1,456**	1,456
Amounts due to subsidiaries	*(a)*	**506,670**	506,526
		539,974	541,873
Net current assets		**1,506,204**	1,545,398
Total assets less current liabilities		**1,811,175**	1,850,369
Capital and reserves			
Share capital		**690,968**	690,968
Reserves	*(b)*	**352,530**	360,499
Total equity		**1,043,498**	1,051,467
Non-current liability			
Bonds		**767,677**	798,902
		1,811,175	1,850,369

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

Notes:

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

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

(b) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	352,753	244,461	1,270	22,566	621,050
Loss for the year	–	–	–	(260,551)	(260,551)
At 31 December 2018	352,753	244,461	1,270	(237,985)	360,499
Loss for the year	–	–	–	(7,969)	(7,969)
At 31 December 2019	352,753	244,461	1,270	(245,954)	352,530

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly 2019 %	Directly 2018 %	Indirectly 2019 %	Indirectly 2018 %	Principal activities *(note i)*
中山隆成啟航商貿有限公司	PRC	US$6,240,000 Registered Capital	–	–	100	100	Manufacturing and trading of medical products
Lerado H.K. Limited	HK	HK$5,000 Ordinary Share	–	–	100	100	Trading of medical products
BlackMarble Capital Limited	HK	HK$1 Ordinary Share	–	–	100	100	Money lending
Oriental Strategic Limited	BVI	US$50,000 Ordinary Share	100	100	–	–	Investment holding
Brilliant Summit Limited	HK	HK$10,000 Ordinary Share	–	–	100	100	Trading of garment accessories
Lerado Group Limited	BVI	HK$10,702 Ordinary Share	100	100	–	–	Investment holding
Wonder Time Holdings Limited	BVI	HK$1 Ordinary Share	–	–	100	100	Trading of held-for-trading investments
Shanghai Lerado Co. Ltd.	PRC	US$6,260,000 Registered Capital	–	–	100	100	Manufacturing and trading of nursery products

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly		Indirectly		Principal activities *(note i)*
			2019 **%**	2018 %	**2019** **%**	2018 %	
廣州凱潤企業管理服務有限公司	PRC	US$5,000,000 Registered Capital	**–**	–	**100**	100	Property holding
駿勝世紀科技(深圳)有限公司	PRC	RMB1,000,000 Registered Capital	**–**	–	**100**	100	Research and development for electric scooters, wheels
Black Marble Securities Limited	HK	HK$330,000,000 Ordinary Share	**–**	–	**100**	100	Securities brokerage, margin financing and underwriting and placements
Black Marble Global Investment Fund SPC *(note ii)*	Cayman Islands	N/A	**–**	–	**100**	100	Investment fund
Smart Success International Enterprises Limited	HK	HK$1 Ordinary Share	**–**	–	**100**	100	Investment holding
Lerado Finance Limited	HK	HK$1 Ordinary Share	**–**	–	**100**	100	Money lending
First Platform International Limited	BVI	HK$1 Ordinary Share	**100**	100	**–**	–	Investment holding
Genuine Oriental Wealth Management Limited	HK	HK$1 Ordinary Share	**–**	–	**80**	80	Insurance brokerage

Note:

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

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

Third-party interests in consolidated structured entities consist of third-party unit/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders. There is no third-party interests in the consolidated structured entities as at 31 December 2019.

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

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

Financial Summary

RESULTS

	Year ended 31 December				
	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	**2019** ***HK$'000***
REVENUE	176,731	221,811	224,221	246,313	**247,592**
PROFIT (LOSS) BEFORE TAXATION	364,170	(225,280)	(611,959)	(64,151)	**(95,371)**
INCOME TAX EXPENSE	(68,970)	(21,177)	76,959	(3,509)	**9,153**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	295,200	(246,457)	(535,000)	(67,660)	**(86,218)**
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATION	291,524	–	–	–	**–**
PROFIT (LOSS) FOR THE YEAR	586,724	(246,457)	(535,000)	(67,660)	**(86,218)**
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	586,815	(246,457)	(534,962)	(68,090)	**(86,170)**
NON-CONTROLLING INTERESTS	(91)	–	(38)	430	**(48)**
	586,724	(246,457)	(535,000)	(67,660)	**(86,218)**

ASSETS AND LIABILITIES

	At 31 December				
	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	**2019** ***HK$'000***
TOTAL ASSETS	2,418,080	2,496,189	2,292,224	2,196,739	**2,070,372**
TOTAL LIABILITIES	(643,450)	(671,390)	(995,186)	(1,002,212)	**(962,189)**
	1,774,630	1,824,799	1,297,038	1,194,527	**1,108,183**
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	1,774,721	1,824,799	1,296,838	1,193,897	**1,107,601**
NON-CONTROLLING INTERESTS	(91)	–	200	630	**582**
	1,774,630	1,824,799	1,297,038	1,194,527	**1,108,183**