AMBER HILL
安 山 金 控

AMBER HILL FINANCIAL HOLDINGS LIMITED

(formerly known as China Cloud Copper Company Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 33)

2019
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Executive Directors

Ng Yu *(Chairman)*
(Appointed on December 23, 2019)
Wei Weicheng *(Appointed on December 23, 2019)*
Lin Feng *(Appointed on January 10, 2020)*
Huang Shao Long *(Appointed on January 10, 2020 and re-designated as Non-executive Director on March 19, 2020)*
Chan Chi Ming *(Appointed on April 6, 2020)*
Zhao Hong Mei *(Appointed on January 9, 2019)*
Cheung Kwan *(Chairlady) (Removed on December 19, 2019)*
Ling Zack Xiange *(Resigned on January 15, 2019)*
Sun Yu *(Resigned on December 30, 2019)*
Liu Hu *(Resigned on November 6, 2019)*
Li Junheng *(Appointed on November 6, 2019 and not being re-elected on January 10, 2020)*

Non-executive Directors

Huang Shao Long *(Appointed as Executive Director on January 10, 2020 and re-designated on March 19, 2020)*
Li Xin *(Appointed on January 9, 2019 and resigned on December 9, 2019)*
Wang Dayong *(Resigned on December 9, 2019)*

Independent Non-executive Directors

Anthony Espina
Wang Jun Sheng
Lo Hang Fong *(Appointed on March 19, 2020)*
Jin Xin *(Resigned on December 9, 2019)*

Executive Committee

Ng Yu *(Chairman)*
(Appointed on December 23, 2019)
Wei Weicheng *(Appointed on December 23, 2019)*
Chan Chi Ming *(Appointed on April 6, 2020)*
Zhao Hong Mei *(Appointed on January 9, 2019)*
Cheung Kwan *(Chairlady)*
(Removed on December 19, 2019)
Ling Zack Xiange *(Resigned on January 15, 2019)*
Liu Hu *(Resigned on November 6, 2019)*
Sun Yu *(Resigned on December 30, 2019)*

Audit Committee

Anthony Espina *(Chairman)*
Wang Jun Sheng
Huang Shao Long *(Appointed on March 19, 2020)*
Lo Hang Fong *(Appointed on March 19, 2020)*
Jin Xin *(Resigned on December 9, 2019)*

Remuneration Committee

Wang Jun Sheng *(Chairman)*
Anthony Espina
Ng Yu *(Appointed on March 19, 2020)*
Jin Xin *(Resigned on December 9, 2019)*
Wang Dayong *(Chairman) (Resigned on December 9, 2019)*

Nomination Committee

Wang Jun Sheng *(Chairman)*
Anthony Espina
Wei Weicheng *(Appointed on December 23, 2019)*
Cheung Kwan *(Chairlady) (Removed on December 19, 2019)*
Jin Xin *(Resigned on December 9, 2019)*
Ling Zack Xiange *(Resigned on January 15, 2019)*

Risk Management Committee

Wei Weicheng *(Chairman)*
(Appointed on December 30, 2019)
Anthony Espina
Wang Jun Sheng *(Appointed on March 19, 2020)*
Sun Yu *(Chairman)*
(Appointed on January 15, 2019 and resigned on December 30, 2019)
Li Xin *(appointed on November 6, 2019 and resigned on December 9, 2019)*
Cheung Kwan *(Removed on December 19, 2019)*
Liu Hu *(Resigned on November 6, 2019)*
Ling Zack Xiange *(Chairman)*
(Resigned on January 15, 2019)

CORPORATE INFORMATION

Authorised Representatives

Wei Weicheng *(Appointed on December 30, 2019)*
Ng Yu *(Appointed as the alternative authorised representative to Wei Weicheng on December 30, 2019)*
Tsang King Sun *(Resigned on March 5, 2019, re-appointed on March 14, 2019, resigned on July 8, 2019 and re-appointed on December 19, 2019)*
Sun Yu *(Appointed on January 15, 2019 and resigned on December 30, 2019)*
Ling Zack Xiang *(Resigned on January 15, 2019)*
Yeung Shun Kee *(Appointed on November 20, 2019 and removed on December 19, 2019)*
Li Wancheng *(Appointed on March 5, 2019 and resigned on March 8, 2019)*

Company Secretary

Tsang King Sun *(Resigned on March 5, 2019, re-appointed on March 14, 2019, resigned on July 8, 2019 and re-appointed on December 19, 2019)*
Yeung Shun Kee *(Appointed on November 20, 2019 and removed on December 19, 2019)*
Li Wancheng *(Appointed on March 5, 2019 and resigned on March 8, 2019)*

Website

www.ahfh.com.hk

Registered Office

94 Solaris Avenue
Camana Bay
PO Box 1348
Grand Cayman, KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong

Unit A, 5/F
Chunghing Commercial Building
62–63 Connaught Road Central, Central, Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Bank of China (Hong Kong)

Auditor

CHENG & CHENG LIMITED
Certified Public Accountants
Level 35, Tower 1, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon
Hong Kong

Stock Code

0033 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)

CHAIRMAN’S STATEMENT

Dear Shareholders,

2019 was a challenging year. From a global perspective, the ongoing uncertainties of the international trade relationships and geopolitical tensions had brought significant volatility to the global financial market in the first half of 2019. Domestically, the social unrest in Hong Kong in the second half of 2019 had adversely affected the business sentiment and economy. Following the impact of external and domestic factors that affected Hong Kong in 2019, the economy was poised for a recovery in January 2020 after the signing of the Economic and Trade Agreement between China and the US but was unexpectedly hard hit by the impact of COVID-19 pandemic.

As a result of the double blow of the US/China trade tension and the social unrest, Hong Kong’s GDP shrank by 1.2% in 2019 and is expected to be further reduced by 4% to 7% in 2020 in the midst of the COVID-19 pandemic. Despite the unfavorable global economic conditions, the financial market in Hong Kong was still resilient as evidenced by the eventual increase of Heng Sang Index by 9% in 2019, the active turnovers on the Hong Kong Stock Exchange including those through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Bond Connect. Further, Hong Kong dollar remained stable and no significant capital flight was identified during the turmoil.

Despite the uncertainties and challenges casted by the macroeconomic and political factors, during the period the new board has reviewed the businesses of the Group with a view to improving the shareholders’ returns, streamlining the business operations and strengthening the internal controls.

China, as the second largest economy in the world with a population of 1.4 billion, was still able to achieve a GDP growth of 6.1% in 2019. The decisive measures by China including Hong Kong to curb the spread of COVID-19 have been effective. Daily life and business have been gradually resumed to normal with the continuous and collaborative efforts on social distancing and personal hygiene by the governments and the citizens together. Governments’ quantitative easing, financial aids and poverty relief measures could support the economy in the difficult moment and revitalize it when the uncertainties are lessened or removed. China and Hong Kong could be the first to recover from the trough with the support of the Central Government and opportunities arising from the Guangdong-Hong Kong-Macao Greater Bay Area and Belt and Road Initiative, increasing dual and secondary listings of PRC companies in Hong Kong, growing number of high-net-worth individuals and their wealth management needs in the region. In 2020, we will continue to manage our operation prudently and resiliently. In the era of technology under the backdrop of 5G, big data analytics, cloud computing and artificial intelligence, we will explore applications of various Fintech solutions to our businesses which will enable us to provide better customer experience and meet the unsatisfied needs and demands.

I would like to extend my sincere gratitude to all of our shareholders, business partners, and customers for their continued support. I would also like to thank all of my colleagues and my fellow Directors for their relentless efforts and dedication to the Group. We will continue to strive to become a world-class financial institution and create exceptional customer journey.

Mr. Ng Yu
Chairman

Hong Kong, July 7, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Amber Hill Financial Holdings Limited (formerly known as China Cloud Copper Company Limited and Asia Investment Finance Group Limited) (the "Company") was incorporated in the Cayman Islands under Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on March 20, 2007. The Company's shares were listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on November 19, 2007. The Company and its subsidiaries (the "Group") are principally engaged in securities brokerage and assets management, trading of party products, advancing business, credit guarantee and investment business, trading of metals and minerals and trading of security products and provision of security services.

By way of background, all of the current directors of the Company (except Ms. Zhao Hong Mei (an executive director of the Company), Mr. Anthony Espina and Mr. Wang Jun Sheng (both being independent non-executive directors of the Company)) only joined the Company in or after December 2019. During the year ended December 31, 2019 ("Current Year"), the business and operation of the Group was managed by the former executive management led by Ms. Cheung Kwan (the former executive director and chairlady of the Board prior to her removal as Director on December 19, 2019) ("Former Executive Management").

BUSINESS REVIEW

Securities Brokerage and Assets Management

The Group's revenue generated from this segment decreased to HK$0.73 million in the Current Year (2018: HK$1.21 million). The decrease was attributable to the suspension of relevant SFC licenses in the second half of 2019. The licenses were suspended due to shortage of fund and failure to meet the liquid capital requirement under the Hong Kong Securities and Futures (Financial Resources) Rules. The Group is in the process of applying for resumption of the relevant SFC licenses which is expected to materialise earliest by the end of the third quarter of 2020 for Types 4 and 9 licenses and by the first half of 2021 for Types 1, 2 and 5 licenses.

Trading of Party Products

The trading of party products of the Group includes party accessories, decorations, cutlery and eatery wares from suppliers. The Group provided touch-ups to such products which include but not limited to adding festive elements to such products. The final products are sold to customers in Hong Kong and North America.

The Group's revenue of trading of party products was HK$40.97 million (2018: HK$51.48 million). The escalation of U.S. China trade disputes and deceleration of global economic growth has clouded the global trade outlook. The keen competition in this industry and continuous decrease in demand of party products in recent years led to decrease in the Group's revenue during the Current Year. Nonetheless, the Company will continue to develop this business segment.

Advancing business

No new loan was granted in 2019 and the loan portfolio component remained the same as in 2018. The new management appointed since December 2019 has assessed the recoverability of the loan portfolio and considered that the collectability was doubtful. Full provision for impairment on loan receivable and interest receivable amounting to HK$111.13 million and HK$11.53 million were made during the Current Year respectively. The new management will continue to use its best endeavours to recover the loans including taking necessary legal actions to uphold its lawful rights and interests and to consider new business opportunity with an aim to generate a stable income stream to the Group.

Credit Guarantee and Investment Business

The Group did not generate any revenue from this business in 2019 (2018: HK$0.21 million). In February 2020, the license necessary for the operation of the credit guarantee and investment business in Mainland China was being terminated. Since the Board has been unable to access the books and records of the PRC subsidiaries operating this segment (the "Deconsolidated Subsidiaries") despite the fact that the Board has taken all reasonable steps to resolve the matter, the Board considers that the Group no longer has control over the Deconsolidated Subsidiaries. Accordingly, the Group recorded a loss on deconsolidation of subsidiaries amounted to HK$120.16 million. The Group has sought advice from its PRC legal advisers and has been making lawful efforts to protect and uphold its rights and interests. According to the Company's PRC legal advisors, based on the circumstances surrounding the loss of control of the Deconsolidated Subsidiaries, they are of the opinion that the Company has a relatively good prospect in regaining control of the Deconsolidated Subsidiaries and obtaining an order from the court to compulsorily demand the production of the relevant books and records of the Deconsolidated Subsidiaries. The Group is currently contemplating to initiate civil actions against the Deconsolidated Subsidiaries in the second half of 2020.

Trading of Metals and Minerals

During the year, the Group did not generate any revenue from this business segment. The management will continue to consider new business opportunity with an aim to generate a stable income stream to the Group.

Trading of Security Products and Provision of Security Services

The Group completed the acquisition of the (i) entire issued share capital of International Security Net Co., Limited (國際安全網有限公司) ("International Security Net") and (ii) 51% equity interest in Dewe Kexin (Beijing) Technology Co., Ltd. (德威可信(北京)科技有限公司) ("Dewe Kexin") (collectively, the "Acquired Group") at the total consideration of HK$70,000,000 in December 2018 and commenced the trading of security products and provision of security services business segment. During the Current Year, the Group's revenue from the trading of security products and provision of security services was HK$81.92 million (2018: HK$1.52 million).

As disclosed in the announcement of the Company dated August 27, 2019, the Acquired Group has fulfilled the guaranteed profit of the Acquired Group for the financial year ended December 31, 2018.

A share pledge (the "Share Pledge") over 51% equity interest in Dewe Kexin created as security for a loan in a principal amount of RMB5,000,000 (the "Loan") was registered on January 14, 2020. The Share Pledge was subsequently enforced on February 17, 2020. As a result, Dewe Kexin ceased to be a subsidiary of the Group ("Dewe Deconsolidation"). As a result of the Dewe Deconsolidation, (i) the Auditor cannot gather sufficient audit evidence of Dewe Kexin for the determination of the profit guarantee of International Security Net and Dewe Kexin for the financial year ended December 31, 2019 as stipulated under the sale and purchase agreement (the "2019 Profit Guarantee"); and (ii) the profit guarantee for the financial year ending December 31, 2020 as stipulated under the sale and purchase agreement (the "2020 Profit Guarantee") cannot be executed.

As disclosed in the announcement of the Company dated June 30, 2020, the Group and the original vendors of Dewe Kexin and International Security Net entered into a supplemental deed (the "Deed"), pursuant to which the parties thereto irrevocably acknowledged and agreed to the use of the unaudited financial statements of the Acquired Group for the determination of the 2019 Profit Guarantee and the non-fulfillment of the 2019 Profit Guarantee and cancellation of corresponding portion of the convertible bonds in the principal amount of HK$26.25 million (the "2019 CB Cancellation"), as well as the termination of the 2020 Profit Guarantee and cancellation of the corresponding portion of the convertible bonds in the principal amount of HK$35 million (the "2020 CB Cancellation").

As a result of the 2019 CB Cancellation and the 2020 CB Cancellation, the remaining balance of the principal amount of the 2021 Convertible Bonds would be HK$8.75 million (the "Remaining CB"). On June 30, 2020, B&R Security International Company Limited (一帶一路安保國際有限公司) and Asia Investment Huijin (Beijing) Assets Management Co., Ltd. (亞投匯金(北京)資產管理有限公司) (both of which being wholly-owned subsidiaries of the Company and collectively referred to as the "Vendors") and Beijing Dewe Security Services Co., Limited (北京德威保安服務有限公司) (the "Purchaser") entered into a disposal agreement (the "Disposal Agreement"), pursuant to which the Vendors agreed to sell, and the Purchaser agreed to purchase, (i) the entire issued share capital of International Security Net; and (ii) an other receivables in the amount of RMB5,000,000 for a total consideration of HK$8,750,000 which shall be settled by offsetting the Remaining CB.

Subsequent to the disposal of International Security Net, the trading of security products and provision of security services business would cease in 2020. The management considers it to be beneficial to the development of the Group as this would allow it to concentrate its resources for the development of other more profitable business segments.

For details, please refer to note 46 to the consolidated financial statements.

FINANCIAL REVIEW

The Company's Auditor has expressed a disclaimer of opinion on the consolidated financial statements of the Group for the financial year ended December 31, 2019, which mainly arises from loss of control of certain PRC subsidiaries, as well as limitation of scope on certain valuation and financial information of certain subsidiaries and an associate. For details, please refer to the sections headed "Independent Auditor's Report" and "Additional Information on Auditor's Opinion".

Revenue and Results

During the Current Year, the Group's total revenue was HK$135.61 million, representing an increase of 103% as compared to HK$66.93 million for the year ended December 31, 2018 (the "Last Year"). The increase in total revenue was mainly attributable to the increase in revenue of trading of security products and provision of security services to HK$81.92 million during the Current Year (2018: HK$1.52 million).

The Group's gross profit in the Current Year was HK$30.51 million, representing an increase by 86%, as compared to HK$16.38 million of the Last Year. The gross profit margin in the Current Year was 22.5% (2018: 24.5%).

The Group's net loss attributable to equity shareholders of the Company for the Current Year increased by 269% to HK$380.38 million for the Current Year as compared to HK$103.03 million in the Last Year. The increase in loss for the Current Year was mainly attributable to: (i) the impairment loss on goodwill and intangible asset of approximately HK$71.92 million; (ii) the impairment loss on interest in an associate of approximately HK$46.45 million; and (iii) impairment loss of approximately HK$147.72 million on loan receivables, trade receivables, deposit paid and other receivables of the Group.

During the Current Year, the loss per share of the Company was HK40.68 cents (2018: HK11.05 cents (restated)).

Details of the financial review of the respective businesses of the Group are set out in the above "Business Review" in the Management Discussion and Analysis section.

Operating Expenses

The Group's operating expenses decreased to HK$79.19 million in the Current Year as compared to HK$86.66 million in the Last Year.

Finance Costs

Finance costs during the Current Year were HK$15.68 million (2018: HK$7.43 million). The increase was mainly due to the interest on convertible bonds matured in 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2019, net current liabilities were HK$109.70 million (2018: net current assets HK$120.70 million). The Group's current ratio was 0.45 (2018: 1.68). The decrease in current ratio was mainly attributable to full impairment on the Group's loan receivables during the year. As at December 31, 2019, the Group's gearing ratio was 317% (2018: 34%), which was calculated as net debts divided by total equity attributable to shareholders of the Company plus net debts. The Group's net debts include convertible bonds and other loan less cash and bank balances.

As at December 31, 2019, the Group has an other loan of HK$13 million which was overdue, unsecured and was repayable on demand with fixed interest rate of 5% per annum. Save as disclosed above, the Group did not have any other bank and other borrowings. There is no significant seasonality of bank and other borrowings demand of the Group. As at December 31, 2019, the Group had cash and bank balances of HK$13.53 million (2018: HK$22.91 million). The cash and bank balances were denominated in HK dollar, Renminbi and US dollar. The Group has no structured investment products and foreign exchange contracts. The Group is not exposed to material fluctuations in exchange rates.

As at December 31, 2019, the Group had net liabilities of approximately HK$101.32 million (2018: net assets HK$292.62 million). Having considered (i) the loans from Mr. Ng Yu (the chairman, executive director and the substantial shareholder of the Company) of HK$35,000,000 received in the first half of 2020 which are repayable on demand and interest charged at 2.5% per annum, (ii) net proceeds from placing of new shares of HK$17.97 million received in April 2020, (iii) the undertaking by the bondholder (which Mr. Ng Yu is the beneficial owner) to extend the maturity of convertible bonds with principal amount of HK$100 million by two years to February 18, 2022 and (iv) Mr. Ng Yu, has confirmed his intention to provide continuing financial support to satisfy the Group's working capital and other financing requirement through continual renewal of borrowings or continual provision of additional financing to the Group, the directors consider that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future.

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at December 31, 2019, the authorised share capital of the Company was HK$10,000,000,000 divided into 10,000,000,000,000 shares of HK$0.001 each, and the issued share capital of the Company was HK$937,797 divided into 937,797,200 shares of HK$0.001 each.

Major changes in relation to the capital structure of the Company for the year ended December 31, 2019 are as follows:

A. Share Capital

Please refer to note 27 to the consolidated financial statements for details of the movement of the share capital of the Group.

The Issue of New Shares Under General Mandate

On March 18, 2019, the Company entered into subscription agreements with each of 廣州富興華倫置業投資有限公司 (for transliteration purpose: Guangzhou Fuxing Hualun Property Investment Co. Ltd.) (the "First Subscriber"), 皮社勝先生 (Mr. Pi Shesheng) (the "Second Subscriber"), 關國釗先生 (Mr. Guan Guozhao) (the "Third Subscriber") and 嚴怡翔先生 (Mr. Yan Yixiang) (the "Fourth Subscriber") (collectively, the "Subscribers"), pursuant to which the Subscribers agreed to subscribe and the Company agreed to issue a total of 300,000,000 new shares of the Company at the price of HK$0.10 per share (the "Subscription Shares"). The Subscription Shares shall be issued pursuant to the general mandate granted to the directors of the Company by resolution of the shareholders passed at the Company's annual general meeting held on June 22, 2018 to allot and issue up to a maximum of 1,865,434,400 shares. The net proceeds from the subscriptions of approximately HK$29.9 million was intended to be used as working capital of the Group.

On July 15, 2019, the Company entered into the following agreements with each of the Subscribers:

(i) a termination agreement with the First Subscriber to terminate the subscription agreement entered into between the Company and the First Subscriber on March 18, 2019 with immediate effect;

(ii) a supplemental agreement with the Second Subscriber, pursuant to which the number of Subscription Shares to be subscribed by the Second Subscriber shall be reduced from 100,000,000 shares to 20,000,000 shares;

(iii) a supplemental agreement with the Third Subscriber, pursuant to which the number of Subscription Shares to be subscribed by the Third Subscriber shall be reduced from 50,000,000 shares to 9,300,000 shares; and

(iv) a supplemental agreement with the Fourth Subscriber, pursuant to which the number of Subscription Shares to be subscribed by the Fourth Subscriber shall be reduced from 50,000,000 shares to 21,500,000 shares.

The total number of new Share finally issued were 50,800,000 shares. The net proceeds of approximately HK$4.9 million from the subscriptions were fully utilised as working capital of the Group as intended. The subscriptions were completed on July 22, 2019.

B. Share Options

Immediately prior to the Capital Reorganization becoming effective, the exercise price of the outstanding share options ("Outstanding Share Options") granted under the Share Option Scheme was HK$0.15 per Share and the number of Shares may be issued pursuant to the Outstanding Share Options was 836,000,000 Shares. As a result of the Capital Reorganisation and pursuant to the terms of the Share Option Scheme, the exercise price of the Outstanding Share Options has been adjusted to HK$1.50 per consolidated share and the number of consolidated shares may be issued pursuant to the Outstanding Share Options has been adjusted to 83,600,000 consolidated shares. The said adjustment took effect from July 24, 2019, being the date the Capital Reorganisation becoming effective.

C. Convertible Bonds

Details on the movements of the convertible bonds during the years ended December 31, 2019 and 2018 and the outstanding convertible bonds as at December 31, 2019 and 2018 are set out in note 37 to the consolidated financial statement.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns to the shareholders of the Company that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

MERGERS, ACQUISITIONS AND DISPOSAL

The Group did not have any significant merger, acquisition or disposal during the year.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the year.

CHARGE OF ASSETS

As at December 31, 2019, the Group did not have any charge of assets except the followings:

During the year, Market Speed Limited took out a claim against AIF Happy Services Limited ("AIF") for, inter alia, outstanding fees and expenses in respect of a vessel named "亞投金融" (the "Vessel") held by AIF at the High Court of Hong Kong under Action No.: HCA 236 of 2019.

On July 3, 2019, Market Speed Limited and Li Yee Man Anly (trading as Ming Fai Marine Service) (the "Plaintiffs") took out an action in rem under the Admiralty Jurisdiction of the High Court for arrest of the Vessel under Action No.: HCAJ 69 of 2019. By a Court Order dated August 16, 2019, the Vessel was arrested by the Chief Bailiff of Hong Kong. As such, the Vessel is no longer under the possession of AIF. On December 31, 2019, an order to sell the Vessel by public tender was granted.

Due to the earlier closure of courts based on public health considerations, the Invitation to Tender was only advertised with submission closing on May 28, 2020.

The Plaintiffs and AIF conducted a settlement meeting on May 25, 2020 and a Deed of Settlement was executed between the parties on June 3, 2020 withdrawing HCA 236 of 2019, HCAJ 69 of 2019 and all other claims relating to the Vessel. The Vessel was released, unencumbered, back to AIF's ownership and possession on June 4, 2020.

Reference to note 33 to the consolidated financial statements, the provision of HK$6,580,000 as at December 31, 2019 was settled. Up to the date of this report, a total of approximately HK$7,180,000 has been paid by the Company for settlement in relation to the Plaintiffs' claim and the Bailiff's fees and expenses.

As at December 31, 2019, the carrying value of the vessel is HK$16,875,000 (2018: HK$19,575,000).

CONTINGENT LIABILITIES

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

FOREIGN CURRENCY RISK

The Group's main operations are located in Hong Kong and the PRC. Most of the assets, income, payments and cash balance are denominated in HKD and RMB. The Group did not enter into any forward foreign exchange contracts to manage its foreign currency risk during the year as the management considered that the Group's exposure to exchange rate risk could be managed.

HUMAN RESOURCES

As at December 31, 2019, the Group had 27 employees (December 31, 2018: 55 employees). It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

COMMITMENTS

As at 31 December 2019, the Group did not have any material capital commitment.

PROSPECTS

The Hong Kong economy is subject to unprecedented challenges, in the midst of COVID-19 pandemic, deglobalisation, protectionism and the domestic social movements. Nevertheless, Hong Kong is ranked as one of the most competitive cities/ regions according to the "World Competitiveness Ranking 2020" by IMD World Competitiveness Center, Switzerland, and is always the most robust and resilient international financial center which has a successful track record of weathering through any global economic downturns and financial crises in the past few decades. Despite the challenges, there exists tremendous opportunities for the Group in China (including Hong Kong), the second largest economy and private wealth management market in the world. With the announcement of the key strategic initiatives of the Guangdong-Hong Kong-Macao Greater Bay Area, the economic developments in the region will be expedited. In addition, the recent rapid developments of Fintech applications offer tremendous windows of opportunities for innovation and disruptive business models and strategies.

The Group is dedicated to providing one-stop financial services including securities and commodities trading, fund and asset management, advancing and investments. The Group is licensed to carry out Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 5 (Advising on Futures Contracts) and Type 9 (Asset Management) regulated activities under Securities and Futures Ordinance ("Licenses") which were suspended in the second half of 2019 due to shortage of fund. After the new board has assumed the overall management responsibilities of the Group, intensive business restructuring program has been carried out including injecting additional working capital, restructuring of the non-performing assets and businesses and strengthening the internal control systems. Applications have been made to the SFC for resumption of the Licenses. It is expected that the resumption of the Type 4 (Advising on Securities) and Type 9 (Asset Management) Licenses will materialise earliest by the end of third quarter of 2020 while that of the Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) and Type 5 (Advising on Futures Contracts) Licenses will materialise earliest by the first half of 2021. In the meantime, the Group is rebuilding the operations with a view to preparing for resumption of the licensed business and maintaining the trading businesses.

To capture the opportunities ahead, the Group will explore possibilities of application of the most advanced technology and look for any business opportunities that will provide satisfactory returns to the shareholders.

The Company is committed to maintaining a high standard corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and the enhancement of shareholder's value. We are committed to providing high-quality products and services to the satisfaction of our customers; to maintaining high standards of business ethics and achieving these goals while, at the same time, providing satisfactory and sustainable returns to shareholders. The board had adopted the Code on Corporate Governance Practices (the "CG Code") as contained in Appendix 14 of the Listing Rules.

To the best knowledge of and based on information available the Board, the Board is pleased to report compliance with code provisions of the CG Code for the period from January 1, 2019 to December 31, 2019, except CG Code A.2.1, A.6.7 and E.1.2.

During the year, the number of meetings held for each of the Executive Committee, Remuneration Committee and the Audit Committee were insufficient as per the requirement of their respective terms of reference. The Company will review the terms of reference of various committees of the Board and ensure future compliance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding directors' dealing in securities since its listing on November 19, 2007. Having made specific enquiries to all Directors, based on the information available to the Board, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code for the Current Year.

THE BOARD

The Board is responsible for the formulation of business policies and strategies in relation to the business operation of the Group, for nomination and appointment of directors, and to ensure the availability of resources as well as to the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board sub-committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively. Each Director shall ensure that he/she carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and acts as in the interests of the Company and its shareholders at all times. From January 1, 2019 to December 31, 2019, twelve Board meetings, two Extraordinary General Meeting held on May 23, 2019 and June 18, 2019 and one Annual General Meeting held on June 18, 2019 were held and the attendance of each director is set out as follows:

	Number of Attendance	
Directors	**Board Meetings**	**General Meetings**
Executive Directors		
Ng Yu *(Chairman) (Appointed on December 23, 2019) (note 1)*	N/A	N/A
Wei Weicheng *(Appointed on December 23, 2019) (note 2)*	N/A	N/A
Lin Feng *(Appointed on January 10, 2020) (note 3)*	N/A	N/A
Huang Shao Lung *(Appointed on January 10, 2020 and Re-designated as Non-executive Director on March 19, 2020) (note 4)*	N/A	N/A
Chan Chi Ming *(Appointed on April 6, 2020) (note 5)*	N/A	N/A
Zhao Hong Mei *(Appointed on January 9, 2019)*	11/12	0/3
Cheung Kwan *(Chairlady) (Removed on December 19, 2019)*	8/11	3/3
Ling Zack Xiange *(Resigned on January 15, 2019) (note 6)*	N/A	N/A
Sun Yu *(Resigned on December 30, 2019)*	11/12	0/3
Liu Hu *(Resigned on November 6, 2019)*	1/10	0/3
Li Junheng *(Appointed on November 6, 2019 and not being re-elected on January 10, 2020) (note 7)*	0/2	N/A
Non-executive Directors		
Huang Shao Lung *(Appointed as Executive Director on January 10, 2020 and re-designated on March 19, 2020) (note 4)*	N/A	N/A
Li Xin *(Appointed on January 9, 2019 and resigned on December 9, 2019)*	6/11	0/3
Wang Dayong *(resigned on December 9, 2019)*	3/11	0/3
Independent Non-executive Directors		
Anthony Espina	4/12	0/3
Wang Jun Sheng	4/12	0/3
Lo Hang Fong *(Appointed on March 19, 2020) (note 8)*	N/A	N/A
Jin Xin *(Resigned on December 9, 2019)*	5/11	2/3

Three executive Directors, two Non-executive Directors and two Independent Non-executive Director were unable to attend 2019 AGM due to their prior engagements, other Directors and the auditor had attended the AGM to answer questions at the meeting.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors.

Notes:

1. Mr. Ng Yu (Chairman) was appointed on December 23, 2019 and he was not eligible to attend the 12 board meetings and 3 general meetings.
2. Mr. Wei Weicheng was appointed on December 23, 2019 and he was not eligible to attend the 12 board meetings and 3 general meetings.
3. Mr. Lin Feng was appointed on January 10, 2020 and he was not eligible to attend the 12 board meetings and 3 general meetings.
4. Mr. Huang Shao Lung was appointed on January 10, 2020 and he was not eligible to attend the 12 board meetings and 3 general meetings.
5. Mr. Chan Chi Ming was appointed on April 6, 2020 and he was not eligible to attend the 12 board meetings and 3 general meetings.
6. Mr. Ling Zack Xiange resigned on January 15, 2019 and he was not eligible to attend the 12 board meetings and 3 general meetings.
7. Mr. Li Junheng was appointed on November 6, 2019 and he was not eligible to attend 3 general meetings.
8. Mr. Lo Hang Fong was appointed on March 19, 2020 and he was not eligible to attend the 12 board meetings and 3 general meetings.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended December 31, 2019, the Company has complied with the code provisions set out in the CG Code as set out in Appendix 14 of the Listing Rules except the following.

Under A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. Since January 10, 2011, the Company has not had any Chief Executive Officer. The functions of Chief Executive Officer were performed by the Executive Committee. The Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development. Subsequently, Mr. Chan Chi Ming was appointed as the Chief Executive Officer of the Company on April 6, 2020.

Code provision A.6.7 of the Code requires that Independent Non-executive Directors and other Non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Three Independent Non-executive Directors did not attend the extraordinary general meeting held on May 23, 2019 and the annual general meeting held on June 18, 2019 due to their other business engagements.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors are persons with academic and professional qualifications as stated in Directors and Senior Management section. They support the effective discharge of the duties and responsibilities of the Board. The Company has sent out annual confirmation of independence to all directors who were on board at any time during the Current Year and up to the date of this report. Each of the current Independent Non-executive Director has provided an annual confirmation of independence to the Company and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

No service contracts were signed between the Non-executive Directors and the Company.

The change of the Non-executive Directors and Independent Non-executive Directors during the Current Year are set out in the section headed "the Board" in this corporate governance report.

BOARD COMMITTEES

A. Executive Committee

To assist the board of directors in running the operations on a daily basis, the Board had set up a sub-committee, namely Executive Committee on July 15, 2009. The terms of reference of the Executive Committee are available on the Company's website at www.ahfh.com.hk and the website of the Stock Exchange.

During the Current Year, no Executive Committee meetings were held.

B. Audit Committee

The Audit Committee was established on October 30, 2007. The primary duties of the Audit Committee are to make recommendations on the appointment, re-appointment and removal of external auditor, to review financial statements and making recommendations on the financial reporting, and to review and supervise the financial reporting and internal control procedures of the Group. The Audit Committee shall meet at least twice a year. The Audit Committee had reviewed the Group's internal control during the Current Year. The Group's final results for the Current Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that saved for the matters disclosed in the Auditor's disclaimer of opinion, this annual report is complete and accurate and complies with all relevant rules and regulations, including but not limited to the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the Auditor.

The Audit Committee comprises Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng, Mr. Lo Hang Fong (appointed on March 19, 2020) and Ms. Jin Xin (resigned on December 9, 2019) and Non-executive Director, Mr. Huang Shao Long (appointed on January 10, 2020). Mr. Anthony Espina is the Chairman of the Audit Committee. The terms of reference of Audit Committee are available on the Company's website at www.ahfh.com.hk and the website of the Stock Exchange.

During the Current Year, one Audit Committee meetings were held to consider and approve the audited consolidated financial statements for the year ended December 31, 2018 and the unaudited consolidated financial statements for the six months ended June 30, 2019. The attendance of each member of Audit Committee is set out as follows:

Directors	Number of Attendance/ Number of Audit Committee Meeting(s) held
Independent Non-executive Directors	
Anthony Espina *(Chairman)*	1/1
Wang Jun Sheng	1/1
Lo Hang Fong *(Appointed on March 19, 2020) (note 1)*	N/A
Jin Xin *(Resigned on December 9, 2019)*	1/1
Non-executive Director	
Huang Shao Long *(Appointed on March 19, 2020) (note 2)*	N/A

Notes:

1. Mr. Lo Hang Fong was appointed on March 19, 2020 and he was not eligible to attend any Audit Committee meeting.

2. Mr. Huang Shao Long was appointed on March 19, 2020 and he was not eligible to attend any Audit Committee meeting.

C. Remuneration Committee

The Remuneration Committee was established on October 30, 2007. The Remuneration Committee assists the Board to determine the policy for the remuneration of executive directors and senior management, assessing performance of executive directors and senior management and approving the terms of executive directors' and senior management's service contracts and to develop a formal and transparent remuneration policy. The Remuneration Committee makes recommendations to the board on the remuneration packages of individual executive directors and senior management.

The Remuneration Committee comprises Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng and Ms. Jin Xin (resigned on December 9, 2019), Non-executive Director, namely Mr. Wang Dayong (resigned on December 9, 2019) and Executive Director, namely Mr. Ng Yu (appointed on March 19, 2020). Mr. Wang Jun Sheng is the Chairman of the Remuneration Committee. The terms of reference of Remuneration Committee are available on the Company's website at www.ahfh.com.hk and the website of the Stock Exchange.

During the Current Year, one Remuneration Committee meeting was held. The attendance of each member of Remuneration Committee is set out as follows:

Directors	**Number of Attendance/ Number of Remuneration Committee Meeting(s) held**
Independent Non-executive Directors	
Wang Jun Sheng *(Chairman)*	1/1
Anthony Espina	1/1
Jin Xin *(Resigned on December 9, 2019)*	1/1
Non-executive Director	
Wang Dayong *(Resigned on December 9, 2019)*	0/1
Executive Director	
Ng Yu *(appointed on March 19, 2020) (note 1)*	N/A

During these meetings, the Remuneration Committee reviewed the remuneration packaged for all Directors and senior management, the employee's salary increment proposal and relevant reports.

Note:

1. Mr. Ng Yu was appointed on March 19, 2020 and he was not eligible to attend any Remuneration Committee meeting.

Details of remuneration paid to members of senior management other than the directors fell within the following bands:

	Number of individuals
HK$500,001 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	1

D. Nomination Committee

The Nomination Committee was established on March 27, 2012. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, to ensure that the candidates to be nominated as Directors are experienced, high caliber individuals.

The Nomination Committee shall meet at least once every year.

The Board has adopted the "Nomination Policy" on January 1, 2019 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, skills, experience and professional expertise, diversity on the Board, independence, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

Pursuant to the Articles of Association, the Company may from time to time in general meeting by ordinary resolution appoint directors to fill a casual vacancy on the Board or as an addition to the existing Board. In accordance with provisions of the relevant laws and regulations and the Articles of Association, new candidates suitable for appointment is recommended to the Board by the Nomination Committee following a process involving: (i) review of the structure, size, composition and diversity of the Board; (ii) identification of individuals suitably qualified to become Board members; and (iii) recommendations made to the Board on matters relating to the appointment or re-appointment of, and succession planning for directors.

The Nomination Committee comprises Independent Non-executive Directors, namely Mr. Wang Jun Sheng (Chairman), Mr. Anthony Espina, and Ms. Jin Xin (resigned on December 9, 2019) and Executive Directors, namely Mr. Wei Weicheng (appointed on December 23, 2019), Ms. Cheung Kwan (removed on December 19, 2019) and Mr. Ling Zack Xiange (resigned on January 15, 2019). The terms of reference of Nomination Committee are available on the Company's website at www.ahfh.com.hk and the website of the Stock Exchange.

During the Current Year, two Nomination Committee meetings were held. The attendance of each member of Nomination Committee is set out as follows:

Directors	**Number of Attendance/ Number of Nomination Committee Meeting(s) held**
Independent Non-executive Directors	
Wang Jun Sheng *(Chairman)*	1/2
Anthony Espina	2/2
Jin Xin *(Resigned on December 9, 2019)*	1/1
Executive Directors	
Wei Weicheng *(Appointed on December 23, 2019) (note 1)*	N/A
Cheung Kwan *(Removed on December 19, 2019)*	1/1
Ling Zack Xiange *(Resigned on January 15, 2019) (note 2)*	N/A

During these meetings, the Nomination Committee reviewed the board structure of the Company and recommended candidates for directorship.

Notes:

1. Mr. Weicheng was appointed on December 23, 2019 and he was not eligible to attend any Nomination Committee meeting.

2. Mr. Ling Zack Xiange resigned on January 15, 2019 and he was not eligible to attend any Nomination Committee meeting.

Board Diversity Policy

The Board has adopted a Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Nomination Committee has set measurable objectives based on four focus areas: gender, age, working experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, the measurable objectives and the progress on achieving the objectives, as appropriate, to evaluate the continued effectiveness and successful implementation of the Board Diversity Policy from time to time.

E. Risk Management Committee

The Risk Management Committee was established on December 28, 2015. The Risk Management Committee is responsible for assisting the Board to evaluate and determine the nature and extent of the risks the Board is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems, and assisting the Board to oversee management in the design, implementation and monitoring of the risk management and internal control system.

The Risk Management Committee comprises Executive Directors, namely, Mr. Wei Weicheng (Chairman, appointed on December 30, 2019), Ms. Cheung Kwan (removed on December 19, 2019), Mr. Liu Hu (resigned on November 6, 2019) and Mr. Ling Zack Xiange (former Chairman, resigned on January 15, 2019) and Mr. Sun Yu (former Chairman, appointed on January 15, 2019 and resigned on December 30, 2019), Non-executive Director, namely Mr. Lin Xin (appointed on November 6, 2019 and resigned on December 9, 2019), and Independent Non-executive Directors, namely Mr. Anthony Espina and Mr. Wang Jun Sheng (appointed on March 19, 2020). The terms of reference of Risk Management Committee are available on the Company's website at www.ahfh.com.hk and the website of the Stock Exchange.

During the Current Year, one Risk Management Committee meeting was held. The attendance of each member of Risk Management Committee is set out as follows:

Directors	Number of Attendance/ Number of Risk Management Committee Meeting(s) held
Independent Non-executive Directors	
Anthony Espina	0/1
Wang Jun Sheng *(Appointed on March 19, 2020) (note 1)*	N/A
Non-executive Director	
Li Xin *(Appointed on November 6, 2019 and resigned on December 9, 2019) (note 3)*	N/A
Executive Directors	
Wei Weicheng *(Chairman) (Appointed on December 30, 2019) (note 2)*	N/A
Sun Yu *(Chairman) (Appointed on January 15, 2019 and resigned on December 30, 2019)*	1/1
Cheung Kwan *(Removed on December 19, 2019)*	1/1
Liu Hu *(Resigned on November 6, 2019)*	1/1
Ling Zack Xiange *(Chairman) (Resigned on January 15, 2019) (note 4)*	N/A

During these meetings, the Risk Management Committee reviewed the Group's risk management process and internal control system.

Notes:

1. Mr. Wang Jun Sheng was appointed on March 19, 2020 and he was not eligible to attend the Risk Management Committee meeting.

2. Mr. Wei Weicheng was appointed on December 30, 2019 and he was not eligible to attend the Risk Management Committee meeting.

3. Mr. Li Xin was appointed on November 6, 2019 and resigned on December 9, 2019 and he was not eligible to attend the Risk Management Committee meeting.

4. Mr. Ling Zack Xiange resigned on January 15, 2019 and he was not eligible to attend the Risk Management Committee meeting.

Internal Control and Risk Management

The Board is responsible for maintaining a sound and effective internal control and risk management systems. Such systems are in place and designed to manage risk rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss in order to safeguard the interests of the shareholders and the assets of the Group against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

During the Current Year, the Group has engaged a professional firm as an independent advisor to perform an annual internal control review. For details, please refer to "Risk Management and Internal Control" section of this Corporate Governance Report.

Corporate Governance Functions

No Corporation Governance Committee has been established and the Board is responsible for performing the corporate governance functions such as development and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and reviewing the Company's compliance with the code and disclosure in this Corporate Governance Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

According to Article 130, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every Annual General Meeting provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Ms. Zhao Hong Mei as Executive Director, Mr. Anthony Espina and Mr. Wang Jun Sheng as Independent Non-executive Directors shall retire from office at the forth coming Annual General Meeting and shall offer themselves for re- election.

The Non-executive Director and the Independent Non-executive Directors were appointed for a fixed term and are subject to re-election in compliance with CG Code A.4.1.

Board Process

The Board held meetings from time to time whenever necessary. Reasonable prior notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at reasonable time before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Professional Development

Each newly appointed Director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has an appropriate understanding of the business and operations of the Company.

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, based on information available to the Board and to the best knowledge of the Board, details of Directors participation in continuous professional development programmes are as follows:

	Training activities including in-house activities/briefings, seminars/talks held by professional organisations and/or reading materials on relevant topics
Executive Directors	
Ng Yu *(Chairman) (Appointed on December 23, 2019)*	✓
Wei Weicheng *(Appointed on December 23, 2019)*	✓
Lin Feng *(Appointed on January 10, 2020)*	N/A
Chan Chi Ming *(Appointed on April 6, 2020)*	N/A
Zhao Hong Mei *(Appointed on January 9, 2019)*	✓
Cheung Kwan *(Chairlady) (Removed on December 19, 2019)*	*
Ling Zack Xiange *(Resigned on January 15, 2019)*	*
Sun Yu *(Resigned on December 30, 2019)*	*
Liu Hu *(Resigned on November 6, 2019)*	*
Li Junheng *(Appointed on November 6, 2019 and not being re-elected on January 10, 2020)*	*
Non-executive Directors	
Huang Shao Long *(Appointed as Executive Director on January 10, 2020 and re-designated on March 19, 2020)*	✓
Li Xin *(Appointed on January 9, 2019 and resigned on December 9, 2019)*	*
Wang Dayong *(Resigned on December 9, 2019)*	*
Independent Non-executive Directors	
Anthony Espina	✓
Wang Jun Sheng	✓
Lo Hang Fong *(Appointed on March 19, 2020)*	N/A
Jin Xin *(Resigned on December 9, 2019)*	*

* Enquiries were sent to these directors but the Company has yet to receive any reply from them up to the date of this report.

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the Current Year and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Director also ensure the timely publication of such consolidated financial statements.

The statement of the external auditor of the Company, CHENG & CHENG LIMITED, with regard to its reporting responsibilities on the Group's consolidated financial statements, is set out in the Independent Auditor's Report included in this annual report.

The Directors confirm that, to the best of their knowledge, having made an reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Group not to continue as a going concern. For details, please refer to "Liquidity and Financial Resources" in the "Management Discussion and Analysis" section.

BUSINESS MODEL AND STRATEGY

The Group has the mission to excelling its diversified business whilst maintaining long term profitability and assets growth with adoption of flexible business model and strategy and prudential risk and capital management framework. The Board have played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group in serving customers well with premium service quality; the Group's business strategic drive for business expansion and opportunities; and the Group's setting of strategic goals, priorities and initiatives undertaken to motivate staff to achieve business and financial targets. Details of the Group's Business Review and Financial Review during the Current Year are set out in the "Management Discussion and Analysis" section of this annual report.

AUDITOR'S REMUNERATION

For the Current Year, the fees paid/payable to the Company's auditor in respect of audit and non-audit services provided by the Company's auditor to the Group were as follows:

	HK$'000
Audit services	1,870
Non-audit services	584
	2,454

Non-audit services included review of interim financial statements for the six months ended June 30, 2019, taxation services and agreed-upon procedures for the Company's capital reorganisation.

COMPANY SECRETARY

Mr. Tsang King Sun ("Mr. Tsang") resigned on March 5, 2019, was re-appointed on March 14, 2019, resigned on July 8, 2019 and was re-appointed on December 19, 2019 as the Company secretary of the Company. The biographical details of Mr. Tsang are set out under the section headed "Directors and Senior Management". According to the Rule 3.29 of the Listing Rules, Mr. Tsang has taken no less than 15 hours of relevant professional training during the financial year ended December 31, 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Group's system of risk management and internal control and for monitoring its adequacy and effectiveness. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for (i) safeguarding assets against unauthorised use or disposition; (ii) maintaining proper accounting records; and (iii) ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board through the Risk Management Committee, has overseen the Company's risk management and internal control systems on an ongoing basis. A year-end review of the effectiveness of the Group's risk management and internal control systems has been conducted annually by the Risk Management Committee, and the significant risk issues, if any, are referred to the Board with management responses and recommendations for consideration. The Company engaged ZHONGHUI ANDA Risk Services Limited ("ZHONGHUI ANDA Risk") as the internal control consultant, to perform internal audit function of the Company by conducting an independent internal control review to assess the effectiveness of the financial, operational and compliance controls, and risk management functions of the Company and the Group's major subsidiaries on a rotation basis since the financial year ended December 31, 2017. For the financial year ended December 31, 2019, the internal control review performed by ZHONG HUI ANDA Risk covered the trading of party products business and certain aspects of corporate governance of the Group and no material deficiencies were discovered. However, in view of the disclaimer of opinion issued by the auditor for the year ended December 31, 2019 due to a number of bases, the Board, as agreed by the Audit Committee, acknowledges that certain deficiencies or inadequacies may exist in the internal control and risk management systems of the Group and is currently contemplating to conduct a full scale and holistic review of the internal control system of the Group to identify and address, if any, the material weaknesses and deficiencies.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an Annual General Meeting, shall be called an Extraordinary General Meeting ("EGM").

— Right to convene Extraordinary General Meeting

Any two or more members or any one member of the Company which is a recognised clearing house (or its nominee(s)) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the Company Secretary of the Company at the Company's principal place of business at Room A, 5/F, Chunghing Commercial Building, 62–63 Connaught Road Central, Central, Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all registered members. On the contrary, if the request has been verified in not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting to be held with a further 21 days, the requisitionist(s), may convene a meeting in the same manner within three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The Notice period to be given to all registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice writing (and not less than 10 clear business days) if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing (and not less than 10 clear business days) if the proposal constitutes a special resolution of the Company in EGM.

— Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

— Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 79 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 116 of the Company's Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Company Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and notice in writing signed by the person to be proposed of his willingness to be elected. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Investor Relations

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.ahfh.com.hk.

Constitutional Documents

During the Current Year, there has been no change in the Company's constitutional documents.

On behalf of the Board

Mr. Ng Yu
Chairman and Executive Director

Hong Kong
July 7, 2020

INTRODUCTION

Amber Hill Financial Holdings Limited (the "Company") (formerly known as China Cloud Copper Company Limited and Asia Investment Finance Group Limited) and its subsidiaries (collectively, the "Group") are principally engaged in (i) trading of security products and provision of security services; (ii) trading of party products; (iii) advancing business; (iv) securities brokerage and asset management; (v) credit guarantee and investment business; and (vi) trading of metals and minerals.

The Group strives to operate and develop its business in a sustainable manner with the aims to reduce impact to the environment resulted from its businesses and create values to the community, its people and other stakeholders. With the above objective in mind, the Group established policies in various aspects including, but not limited to, environment, human resources, occupational health and safety and quality control, to govern the required operational standards and to ensure compliance with all relevant laws and regulations. The policies will be reviewed and updated on ongoing basis to cope with any changes in technology, law and regulation and politics.

This is the fourth Environmental, Social and Governance Report (the "ESG Report") of the Group which demonstrates to both internal and external stakeholders its efforts on sustainability developments. It is prepared based on the information available to the Board and the best knowledge of the Board. As a matter of fact, all of the current directors and management of the Company (except Ms. Zhao Hong Mei (an executive director of the Company), Mr. Anthony Espina and Mr. Wang Jun Sheng (both being independent non-executive directors of the Company)) only joined the Company in or after December 2019 and took over the management function of the Company since then.

The ESG Report has been prepared as far as practicable in compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange. The ESG Report discloses the Group's performance and initiatives implemented regarding environmental, social and governance issues and relevant key performance indicators ("KPIs") between January 1, 2019 to December 31, 2019 (the "Year").

Same as the reporting scope of the previous report, this report focuses on operations of the Group in the Hong Kong headquarters ("Hong Kong Office") in relation to securities brokerage and asset management, advancing business, credit guarantee and investment business. Currently, the report does not cover all sites and operations of the Group. In the future, the Group will regularly review the reporting scope to ensure that investors and other stakeholders are provided with sufficient and reliable information.

Stakeholder Engagement

The Group values stakeholder engagement and firmly believes that building mutually trusting relationships not only helps stakeholders understand the Group's work and performance in promoting sustainability, but also allows the Group to understand stakeholders' opinions and needs so as to review its potential risks and business opportunities. The Group gets in touch with key stakeholders within and outside the organisation through various channels.

Key Stakeholders

Investors and shareholders, Government and regulatory authorities, Customers, Suppliers,
Employees, Community

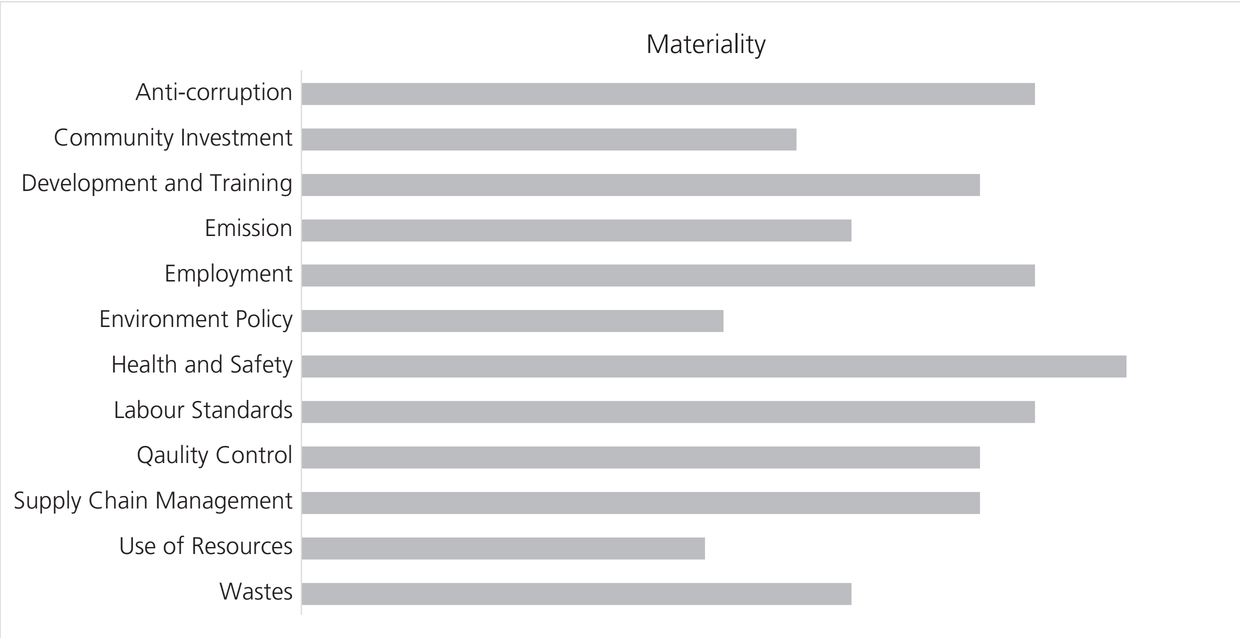
Communication Channels

Corporate website, Email and phone call, Announcements and circulars, Annual appraisal,
Written reports, Meeting, Phone call, Appraisal

Materiality Assessment

The Group undertakes materiality assessment both internally and externally. An internal materiality assessment is performed by the management of the Group to assess the relevance of each ESG components and KPIs to our business and filter out topics that are obviously not relevant or immaterial to the Group. With the shortlisted scope, the Group then conducts external materiality assessment through multiple discussions and communications with our key stakeholders identified in the "Stakeholder Engagement" section.

The Group weights the opinions and perspectives obtained both internally and externally in arriving our final list of material ESG issues. The result from the materiality assessment is presented below.



Opinion and Feedback

We value your opinion and feedback on our ESG report, and we would like to hear from you on how we could further improve our performance. Readers are welcome to share valuable views and opinion with the Group at contact@ahfh.com.hk.

ENVIRONMENTAL

The Group attaches much value to environmental protection and sets its goal to create a sustainable living environment for the next generation. The Group identifies materials, processes, products and wastes that cause or may cause pollution, and implements measures to avoid, reduce or control pollution where technically and economically viable. In order to achieve this objective, the Group formulates and implements green guidelines to facilitate the more effective use of natural resources and reduce the environmental impact of its business operation. During the Year, the Group did not record any non-compliance with relevant laws and regulations that have a significant impact relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Emissions

Greenhouse gas and exhaust gas emission

The air pollutants directly emitted by the Group are mainly exhaust gas from vehicle engines. The Group believes that maintaining good conditions of vehicles and machineries are important to the efficient performance of works, workplace safety and environment protection. As such, the Group regularly carries out inspection, repair and maintenance works to maintain its vehicles and machineries in good condition.

As greenhouse gas emission is closely linked to climate change and global warming, enterprises around the world have introduced carbon reduction initiatives and goals. By minimising the use, recycling and fully utilising of resources to avoid depletion of resources, the Group strives to reduce carbon footprint to address climate change. Office electricity consumption is the major source of carbon emission of the Group's business. During the Year, the Group promoted a range of energy saving initiatives at offices, including shifting to low-power light tubes and encouraging energy-saving practices. Moreover, in order to reduce carbon emission from air business travel, the Group has set up the audio conference room and promoted group discussions on online platforms to reduce business travel during the Year.

Below sets out the KPIs for air emission and Greenhouse Gas ("GHG") emissions for the Year.

Air Emission Data		**Unit**	**2019**
Vehicle Emissions			
Nitrogen Oxides ("NOx") Emissions	*Note 1*	kg	–
Sulphur Oxides ("SOx") Emissions		kg	0.09
Particulate matter ("PM") Emissions	*Note 1*	kg	–

GHG Emission Data		**Unit**	**2019**
Scope 1 — Direct Emissions	*Note 2*	tonnes	14.92
Scope 2 — "Energy Indirect" Emissions	*Note 3*	tonnes	269.26
Scope 3 — Other Indirect Emissions	*Note 4*	tonnes	26.40
Total GHG emissions		tonnes	310.58
Intensity of GHG (tonnes of CO_2 equivalent/sq. ft.)			0.02

Notes:

1. Emission data for NOx and PM is not available as the Group had not started to collect data for kilometers travelled by vehicles.

2. Scope 1: Direct emission from mobile combustion sources that are owned by the Group.

3. Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group.

4. Scope 3: Other indirect emission from paper waste disposed at landfills, electricity used for processing fresh water and sewage by government departments and business air travel by employees.

Waste

The Group mostly produces non-hazardous waste (including office wastepaper and other domestic waste), and a small amount of hazardous waste and electronic waste resulting from our day-to-day office operation in Hong Kong. For wastepaper, the Group has already contacted recyclers to pick them up from time to time. Other general refuse was collected and handled by the property management company of the office building. Thus the relevant data as well as evaluation of the effectiveness of these measures is not available.

The Group takes action to reduce waste by encouraging waste reduction, including using less material and energy to minimise waste generation and preserve natural resources. More specifically, the Group are concentrating our attention and our resources toward alleviating the use of plastic products and other disposable products, as well as reusing festive decorations. Also, the Group promotes communications to using electronic means instead of printed version. In additions to waste reduction, the Group implements an office recycling scheme to guide employees to sort and recycle wastepaper, plastics, metal and old batteries.

Use of Resources

The Group is aware of the challenge that Hong Kong faces against climate change and understands that saving resources is one critical mean to reduce carbon footprint. The major direct energy consumption sources from the office operation include use of electric equipment and lighting. The Group makes great effort to improve and develop the way to build in a resource efficient manner.

On the other hand, the Group regularly investigates water leakage and employs water-saving measurements so as to avoid unnecessary water consumption. The Group also creates an awareness of the need for water conservation among employees by promoting easy-to-learn daily behaviours and enhancing internal communication. The Group did not encounter any issue in sourcing water that is fit for purpose within the reporting scope during the Year. The Group was unable to disclose water consumption data since it was recorded by property management company of our office building.

In addition, the Group advocates several resource saving initiatives in its daily operation as below:

- Employ energy-efficient electric appliance and equipment
- Encourage double-sided printing and use of recycled paper
- Encourage electronic documentation and communication
- Regularly inspect water use devices to prevent leakage
- Maintain air-conditioning at an average temperature of 25 degrees Celsius
- Switch off lights, air-conditioners and computers when they are not in use

Below sets out the KPIs for energy usage for the Year.

Energy Consumption	**Unit**	**2019**
Electricity consumption	MWh	332.42
Energy intensity (MWh/sq. ft.)		0.02

The Environment and Natural Resources

In view of the national development policy to support the green industry, the Group will prudently consider the establishment of an environmental impact assessment mechanism for investment projects and explore the feasibility of developing green financial services. With the integration of policies and measures to reduce emissions and resources consumption, the Group strives to reduce the negative impacts on the environment and natural resources.

The Group raises staff awareness on environmental issues at work and in life through education and training and enlists employees' support in improving the Group's performance. The Group also supports community activities in relation to environmental protection and sustainability and evaluates regularly and monitors the past and present business activities impacting upon health, safety and environmental matters. During the Year, the Group has not identified any case of non-compliance relating to emissions or the environment issues.

SOCIAL

Employment

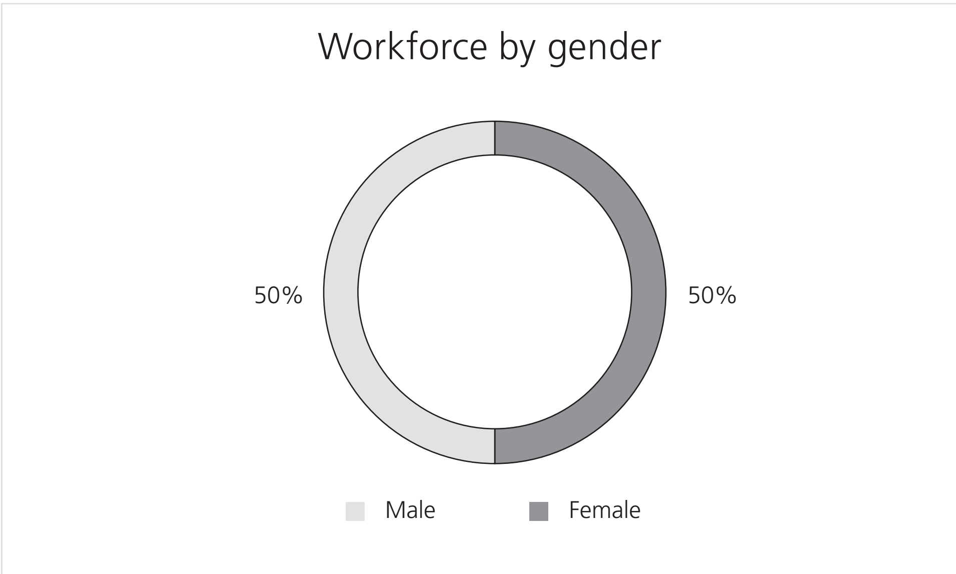
A sound employment system is the foundation of talent acquisition and retention. The Group stipulates staff handbook and employment policies relating to compensation, recruitment, promotion, dismissal, working hours, rest periods, equal opportunity, anti-discrimination and other welfares.

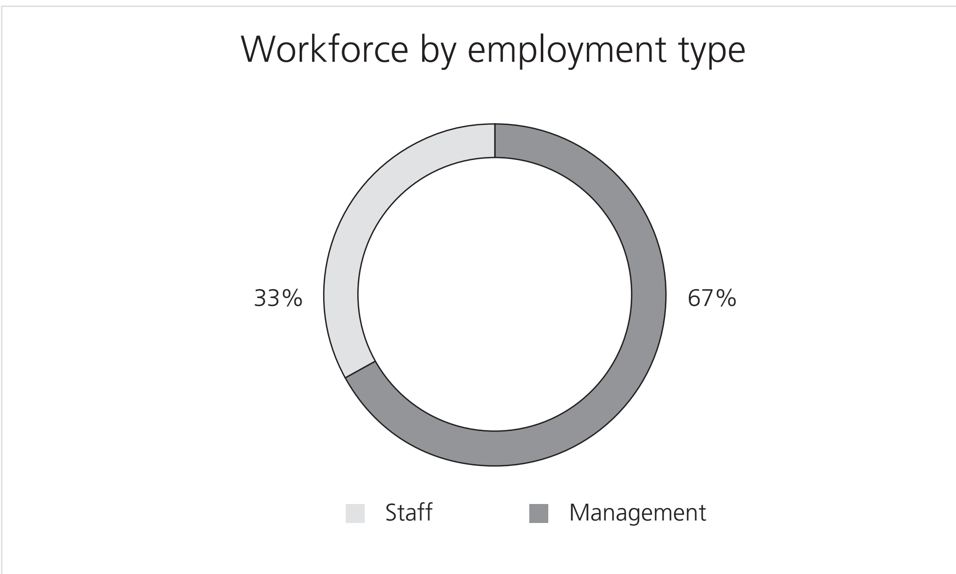
The Group offers fair and competitive salary and welfare to employees. Salary adjustment and distribution of year-end bonus are based on factors such as results of performance review, employee qualifications, performance at work and market conditions. Apart from statutory and public holidays, the Group provides employees with different paid leaves, such as annual leave, maternity leave, marriage leave, compassionate leave and examination leave.

The Group supports workforce diversity and encourages individuals with different backgrounds to join the Group. At the same time, the Group advocates equal opportunities and does not tolerate any acts of discrimination and harassment. The staff handbook stipulates that employee appointment and promotion are determined by factors such as capabilities, knowledge at work and actual work requirements. Employees should not be treated differently on the basis of gender, marital status, pregnancy, family roles or disability. Besides, the Group prohibits sexual discrimination in the workplace such as sexual harassment. Employees can lodge complaints of the relevant cases through the administrative and human resources department to protect their legal rights from violation.

The Group strictly complies with the policies and guidelines in the employment laws. During the Year, the Group has not identified any non-compliance with relevant laws and regulations that have a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

As at 31 December 2019, the Hong Kong office of the Group has employed 27 full-time employees. The following charts set out breakdowns of these employees by gender and employment type.





Health and Safety

The Group cares about employee health and safety and strives to create a safe workplace. To create a safe and friendly working environment, the Group regulates measures to prevent occupational diseases or accidents through the staff handbook and provides regular safety training courses to employees. The Group also implemented the "Guide to Prevent Occupational Disease and Accidents", which regulates preventive measures for occupational disease and accidents. This is to reduce the possibility of injury and occupational diseases of staff, such as upper limb pain, eyestrain and physical fatigue caused by prolonged use of computers.

Due to the nature of its business, the Group's office operation mainly involves desk work, and no position was found to be associated with high safety risks. During the Year, there were no work-related fatalities and lost days due to work injury.

In addition, the Group has purchased employees' compensation insurance and medical insurance for all employees in order to offer protection against treatment of work-related injury and diseases.

Work-related accidents handling procedures	Specify procedures to handle minor accident and severe injury, including the location of the first-aid kit
Guide to prevent occupational disease	Remind employees of safety practices regarding lifting heavy goods, using computer equipment and operating other office equipment
Fire guidelines	Enhance employees' capacity to response during fires
Bad weather arrangement	Specify work arrangements when typhoon and heavy rain warnings are hoisted

The Group abides by the relevant laws and regulations such as the Occupational Safety and Health Ordinance. During the Year, there were no cases of non-compliance with relevant laws and regulations that have a significant impact relating to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

The Group values employee training and development opportunities and encourages employees in different roles to continuously strengthen their knowledge and skills required in career development so that their potential can be developed. The staff handbook stipulates the management approach to employee development and training. All new employees have to attend the induction session to learn about the company structure and direction, employee duties and goals, work process and regulations, etc. In addition, the Group provides employees with regular training on licensing requirements of the Securities & Futures Commission of Hong Kong, anti-money laundering regulations and insider trading. The Group arranges annual performance appraisal for employees to facilitate communication between employees and their head of department. All employees have participated in the performance appraisal. The Group also conducts regular reviews on its training strategies to enable its talents to develop themselves to their fullest potential.

Labour Standards

The Group respects employees' rights and stipulates the prohibition of child labour or forced labour. The human resources department should verify the identity documents and age of applicants during the process of recruitment to prevent hiring any underage individuals. At the same time, the Group respects the rights of employees to resign at will and promises not to force employees to work by means such as withdrawal of identification documents and with violent threats.

During the Year, the Group has not identified any non-compliance with relevant laws and regulations that have a significant impact relating to preventing child and forces labour.

Supply Chain Management

The Group is not a manufacturing enterprise and its operation does not involve bulk procurement. Nonetheless, the Group pays attention to the environmental and social performance of supplier as it realises the supply chain management is playing an important role in the development of its business. The Group requires its supply chain partners to uphold the Group's principles of ethical business conduct and supervises their modes of operation so as to reduce their impact to the society. To this end, the Group has formulated the supplier code of conduct to regulate the process and standards of suppliers selection.

Environmental	• Abide by all the environmental laws and regulations applicable to locations where it operates; • Prevention and treatment of pollution; • Ensure the hazardous chemical substances, volatile organic compounds and wastewater are properly handled; and • Recycle resources that can be reused wherever possible
Social	• Prohibit any form of child labour and forced labour; • Health and safety working environment; • Reasonable working hours; • Respect intellectual property rights including copyrights, patents and trademarks; and • Prevent any acts of corruption, bribery and extortion

Product Responsibility

To ensure the safety of products and the legal and regulatory compliance of measures such as customer service handling procedure and privacy protection, the Group has formulated internal policies such as customers complaint handling procedure, compliance manual, and staff handbook, to improve the product responsibility management structure of the Group.

The Group emphasises the provision of clear and accurate guidelines for customers to help them understand the characteristics and risks of the Group's products or services before purchase. Besides, the Group promises not to mislead customers to purchase products with exaggerated advertising. All promotional materials must be accurate, free from error and easy to understand. Provision of suitable products would base on clients' needs and affordability. The Group is also actively formulating the relevant advertising and labelling policies to regulate affairs related to product responsibility.

The Group attaches great significance to information security and personal data protection. It has a set of policies and guidelines in place which were designed to protect clients' information and privacy through the stringent entry system, data protection system and responsible person inspection system. The compliance manual stipulates that appropriate preventive measures should be adopted to protect customers' personal information from being disclosed to any third-party organisations or individuals. The staff handbook lists the specific requirements for employees on protecting client confidentiality and regulates the confidentiality management for documents, emails, void documents, oral communication and correspondence. All communication content should also be kept confidential.

The Group has established a customer complaint handling mechanism. When customer complaints are received, the employee should record the content of the complaint and submit it to their seniors for further processing. Upon completion of complaint handling, the relevant employees should give the customer a written or oral reply.

During the Year, the Group was not aware of any case of non-compliance with relevant laws and regulations that have a significant impact relating to health and safety, advertising labelling and privacy matters relating to products and services provided and methods of redress.

Anti-corruptions

The Group requests all staff to maintain a high-level ethical practice. Any form of corruption, bribes and fraud is strictly prohibited by the Group. The Group has formulated the whistleblowing policy and the staff handbook to regulate employee and corporate behaviour and to ensure the Group's operation is free of any form of corruption, bribery, extortion, fraud and money laundering. The Group has set up channels such as designated letter box and mailbox to allow employees and other relevant personnel to report cases of corruption. The Group promises that whistleblowers will not be dismissed or mistreated due to the reporting. Their personal data will be treated with confidentiality. Depending on the nature of corruption incidents, the Group may adopt actions such as carrying out internal investigation and transferring the incidents to external agency or law enforcement agencies.

During the Year, the Group was not aware of any case of non-compliance with relevant laws and regulations that have a significant impact relating to bribery, extortion, fraud and money laundering.

Community Investment

The Group values community and social responsibility by encouraging the staff to participate in the volunteer services at leisure times. Meanwhile, the Group capitalises its expertise to promote financial literacy and understand the needs of the communities where it operates and determines the focus areas of contribution, so as to formulate more specific community investment plans and strengthen the bonds with the local communities.

ESG REPORT INDEX

ENVIRONMENTAL		**Section Reference**
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	• Emissions • Use of Resources • The Environment and Natural Resources
KPI A1.1	The types of emissions and respective emissions data.	• Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Emissions
KPI A1.5	Description of measures to mitigate emissions and results achieved.	• Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	• Emissions

ENVIRONMENTAL		**Section Reference**
Aspect A2: Use of Resources		
General Disclosure	Information on: Policies on the efficient use of resources, including energy, water and other raw materials.	• Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity (e.g. per unit of production volume, per facility).	• Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	• Use of Resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	• Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	• Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	• The reporting scope does not involve the use of packaging material
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	• The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	• Emissions • Use of Resources • The Environment and Natural Resources

SOCIAL		Section Reference
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	• Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	• Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	• Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	• Health and Safety
KPI B2.2	Lost days due to work injury.	• Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	• Health and Safety

SOCIAL		Section Reference
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	• Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forces labour.	• Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	• Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	• Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising labelling and privacy matters relating to products and services provided and methods of redress.	• Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	• Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	• Product Responsibility

SOCIAL		Section Reference
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	• Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	• Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	• Community Investment

DIRECTORS

Executive Directors

Mr. Ng Yu *(''Mr. Ng'')*, aged 30, is the chairman of the board and an executive director. He is also the chairman of the board of Amber Hill Group and the founder and chairman of Smile Charity Foundation. He has broad business connection in Hong Kong, Mainland China, Europe and America and has extensive experience in financial innovation, internet technology, assets and wealth management.

Mr. Ng was graduated from King's College in Hong Kong and later studied in the United States. He obtained an advanced technology leadership professional certificate from the Massachusetts Institute of Technology and a family wealth inheritance program certificate from the Harvard Law School.

The Amber Hill Group, under the management of Mr. Ng, is principally engaged in various licensed regulated activities, including financial services such as life insurance, asset management, wealth management, family trusts, securities trading and futures trading.

Founded by Mr. Ng, the Smile Charity Foundation is dedicated to solving the problems of survival and learning of poor children in Greater China by donating daily necessities, school supplies, scholarships and school buses and providing funds to build and repair school buildings, etc. in different regions.

Mr. Lin Feng *(''Mr. Lin'')*, aged 31, was appointed as an executive Director on January 10, 2020. Mr. Lin has extensive experience in corporate finance, franchising and scale development. Mr. Lin founded MyCharm, a franchised retail brand in 2011 and Guangzhou Baikong Biotechnology Limited in 2015, focusing on research vector control technology. His innovative research achievement and intellectual property rights have contributed to the development of biotechnology market in Mainland China. In the same year, Mr. Lin established Shenzhen Qianhai Water & Wood Fund Management Limited, principally engaged in the algorithmic trading & private equity, and introduced one of the five most significant overseas hedge funds into China market. Mr. Lin obtained his Bachelor Degree in 2012 and currently pursuing further studies in a Doctor Degree in Southern Medical University.

Mr. Wei Weicheng *("Mr. Wei")*, aged 35, was appointed as an executive Director of the Company on December 23, 2019. Mr. Wei has extensive experience in wealth management, company fundraising and mergers and acquisitions. Prior to joining the Company, Mr. Wei had served renowned global high-tech company and international banking group. Mr. Wei, particularly, is familiar with the financial industry and the technology industry in mainland China and has a vision for the strategic development of the Greater Bay Area. Mr. Wei is also devoted to charity. He is patron and an active member of civil and arts charities. Mr. Wei holds a Bachelor Degree in Computer Engineering from Jilin University and a Master Degree in Environmental and Public Health Management from Hong Kong Baptist University.

Mr. Chan Chi Ming *("Mr. Chan")*, aged 53, was appointed as an executive Director and the chief executive officer of the Company on April 6, 2020. Mr. Chan has gained extensive experience in investment banking, asset and wealth management, FinTech application, securities and commodities trading. Prior to joining the Company, Mr. Chan held senior positions with various well known international listed conglomerates, financial services, technology and professional firms. His significant achievement in FinTech development and innovation includes the set up of the first high frequency trading firm and the first cryptocurrency trading platform in Hong Kong. Mr. Chan was also the Vice Chairman of Hong Kong Securities Association and the Committee Member of the Clearing Panel of Hong Kong Exchange and Clearing Limited. Mr. Chan is a certified public accountant of Hong Kong Institute of Certified Public Accountants, a Fellow Member of Association of Chartered Certified Accountants and a member of Hong Kong Securities Institute. Mr. Chan holds a Master of Business Administration from The Hong Kong University of Science and Technology, Master of Arts in Psychology from The Chinese University of Hong Kong and Professional Certificate in Innovation and Entrepreneurship from Graduate School of Business, Stanford University.

Ms. Zhao Hong Mei *("Ms. Zhao")*, aged 54, was appointed as the executive Director of the Company on January 9, 2019. Ms. Zhao has more than 20 years of working experience in financial industry. She is famous for being an industry and finance expert, a mentor for entrepreneurs, and a senior financial planner. She worked as a partner in several securities firms and private equity funds, and excels in services of capital operation, financial technology and new retailing business model. Ms. Zhao graduated as a postgraduate in Law from Guangdong Provincial Academy of Social Sciences.

Non-executive Directors

Mr. Huang Shao Long *(''Mr. Huang'')*, aged 37, was appointed as an executive Director on January 10, 2020 and later re-designated as a non-executive Director on March 20, 2020. He is a valuer and obtained qualifications in China in regard to securities foundation, securities trading, securities issue and underwriting, futures investment analysis, fund laws and regulations. From July 2010 to August 2015, Mr. Huang served various positions in GF Futures Co., Ltd (廣發期貨有限公司) as assistant manager to vice general manager where he was responsible for strategic research, management of operations in the investment advisory department and the asset management department. From August 2015 to June 2017 where Mr. Huang was a manager at ES Fund Management Co. Ltd. (廣東逸信基金管理有限公司). From June 2017 to December 2018, Mr. Huang was a director and chairman of Guangdong Amber Hill ES Holdings Co., Ltd. Mr. Huang is a director and managing director of Amber Hill International Holdings (Guangdong) Co., Ltd (安山國際控股(廣東)有限公司) since December 2018. He was graduated in 2007 from Minzu University of China (中央民族大學) with an undergraduate degree in economics and in 2010 obtained a master's degree in asset valuation from Xiamen University in China.

Independent Non-executive Directors

Mr. Anthony Espina *("Mr. Espina")*, aged 71, was appointed as an Independent Non-Executive Director of the Company on June 4, 2007. Mr. Espina has over 50 years of experience in the accounting and finance industry. From May 2013 until his retirement in April 2019, Mr. Espina was the CEO and Chairman of the Management Board and Executive Director of Supervisory Board of ATF Bank in Kazakhstan and of the subsidiary Optima Bank in Kyrgyzstan. He is currently a Non-Executive Director of the Supervisory Board of ATF Bank. He was appointed Advisor to the CEO and Chairman of the Management Board of Samruk Kazyna, the sovereign wealth fund and national holding company of Kazakhstan in February 2018. In May 2019, he was appointed as a Non-Executive Director of KazMunayGas the national oil company of Kazakhstan. From July, 2014 to May, 2017, Mr. Espina was an Independent Non-Executive Director of the "Single Accumulative Pension Fund", a wholly-owned subsidiary of the National Bank of Kazakhstan administering the pension assets of all employees in Kazakhstan. He was Chairman of the Hong Kong Securities Association from 2005 to 2007, and is Permanent Hon. President of the Association. He is the Founder and Managing Director of Goldride Securities Limited. Mr. Espina was a partner of Arthur Andersen & Co. from 1982 to 1986 and of Deloitte Touche Tohmatsu from 1986 to 1990. He was the President of the Hong Kong Computer Society from 1978 to 1979. He graduated from the University of Southern Queensland with a bachelor degree in business and is an Associate member of CPA Australia, a Fellow member of the Hong Kong Institute of Certified Public Accountants and a Fellow member of the Hong Kong Institute of Directors.

Mr. Wang Jun Sheng *("Mr. Wang")*, aged 59, was appointed as the Independent Non-Executive Director of the Company on October 16, 2018. Mr. Wang has more than twenty years of experience in equity investment, asset management and banking industry. Mr. Wang is currently a researcher of China Economic and Technological Research Consulting Company Limited. He served as an independent Non-executive director of Shenzhen Nanshan Power Co. Ltd (Stock code: 000037 & 2000037) and China Merchants Shekou Industrial Zone Holdings Co., Ltd (CMSK, stock code: 001979). Mr. Wang received a Ph.D. from Huazhong University of Science & Technology.

Mr. Lo Hang Fong *(''Mr. Lo'')*, aged 56, was appointed as an Independent Non-Executive Director of the Company on March 19, 2020. He is currently a partner of a law firm, Stevenson, Wong & Co. Mr. Lo has been admitted as a solicitor to the High Court of Hong Kong since 1989. He was also admitted as a solicitor to the Supreme Court of Singapore in 1995 and the Supreme Court of England and Wales in 1996. Mr. Lo is currently an independent non-executive director of Bonjour Holdings Limited (Stock Code: 653), a company listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Lo does not on the date hereof hold, and has not in the last three years held, any directorship in other public listed companies in Hong Kong or overseas. He was graduated from the University of Bristol with a bachelor of law degree in 1986.

SENIOR MANAGEMENT

Mr. Tsang King Sun ("Mr. Tsang") was appointed as the company secretary of the Company with effect from November 3, 2017, resigned on March 5, 2019 and re-appointed on March 14, 2019, resigned on July 8, 2019 and re-appointed on December 19, 2019. Mr. Tsang, ages 36, is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Degree on Juris Doctor from The Chinese University of Hong Kong and a Bachelor of Business Administration (Hons) degree in Accounting from The Hong Kong Polytechnic University. Mr. Tsang has worked in several international audit firms and gained extensive experience in accounting, auditing practices and financial management. Mr. Tsang worked as an executive director (from July 2011 to November 2013) and the company secretary (from July 2011 to March 2014) of China Household Holdings Limited (Stock Code: 692), and an executive director and the company secretary (from December 2014 to August 2017) and the chief financial officer (from April 2015 to August 2017) of China Finance Investment Holdings Limited (Stock Code: 875). Mr. Tsang worked as the chief financial officer (from November 2017 to December 2018) and company secretary and authorized representative (from November 2017 to July 2019) of the Company. Mr. Tsang has also worked as the chief financial officer (from January 1, 2019 to February 10, 2020) and the Executive Director of (from July 2, 2019 to February 10, 2020) Code Agriculture (Holdings) Limited (Stock Code: 8153).

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set forth in note 15 to the consolidated financial statements. The discussion and analysis as required by schedule 5 to the Hong Kong Companies Ordinance are set out in the Management Discussion and Analysis in this annual report. This discussion form part of the report of the directors.

RESULTS AND DIVIDEND

The results of the Group for the Current Year are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

The Directors do not recommend the payment of any dividends for the Current Year.

BUSINESS REVIEW

The business review of the Group for the year ended December 31, 2019 as set out in Management Discussion and Analysis in this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2019 are set out in note 29 to the consolidated financial statements.

DONATION

No donation was made by the Group during the Current Year (2018: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Current Year are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Current Year are set out in note 27 to the consolidated financial statements.

For issue of new shares under General Mandate, please refer to "Capital Structure and Fund Raising Activities" under Management Discussion and Analysis section.

COMMITMENTS

Details of commitments of the Group are set out in note 43 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of the Group's events after the reporting period are set out in note 46 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Company and its movements during the Current Year are set out in note 37 to the consolidated financial statements.

DIRECTORS

Executive Directors

Ng Yu *(Chairman) (Appointed on December 23, 2019)*
Wei Weicheng *(Appointed on December 23, 2019)*
Lin Feng *(Appointed on January 10, 2020)*
Huang Shao Long *(Appointed on January 10, 2020 and re-designated as Non-executive Director on March 19, 2020)*
Chan Chi Ming *(Appointed on April 6, 2020)*
Zhao Hong Mei *(Appointed on January 9, 2019)*
Cheung Kwan *(Removed on December 19, 2019)*
Ling Zack Xiange *(Resigned on January 15, 2019)*
Sun Yu *(Resigned on December 30, 2019)*
Liu Hu *(Resigned on November 6, 2019)*
Li Junheng *(Appointed on November 6, 2019 and not being re-elected on January 10, 2020)*

Non-executive Directors

Huang Shao Long *(Appointed as Executive Director on January 10, 2020 and re-designated on March 19, 2020)*
Li Xin *(Appointed on January 9, 2019 and resigned on December 9, 2019)*
Wang Dayong *(Resigned on December 9, 2019)*

Independent Non-executive Directors

Anthony Espina
Wang Jun Sheng
Lo Hang Fong *(Appointed on March 19, 2020)*
Jin Xin *(Resigned on December 9, 2019)*

Pursuant to Article 114 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Pursuant to Article 115 of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

None of the Directors offering themselves for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has sent out annual confirmation of independence to all directors who were on board at an time being the Current Year and up to the date of this report. The Company has received an annual confirmation of independence from each of the current Independent Non-Executive Directors pursuant to Listing Rule 3.13 and considers that these current the Independent Non-Executive Directors to be independent.

Each of the Independent Non-Executive Directors was appointed for a fixed term and is subject to retirement by rotation at the Annual General Meeting.

None of the Executive Directors has any service contract with any member of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at December 31, 2019, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") Listing Rules, were as follows:

Name	Nature of Interests	Number of shares	Class of Share	Percentage to the issued share capital of the Company
Ng Yu	Beneficial Owner	612,000 (long position)	Shares	0.05%
Anthony Espina	Beneficial Owner	9,000,000 (long position)	Share option *(note (i))*	0.80%

Notes:

(i) These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in section headed "SHARE OPTION SCHEME" below.

Save as disclosed above, as at December 31, 2019, as far as the Directors are aware, none of the Directors had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. As at December 31, 2019, the Company had no Chief Executive Officer.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on information available to the Board and to the best knowledge of the Board, as at December 31, 2019, other than the interests of the Directors and Chief Executive Officer as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO. The number of shares in the issued share capital of the Company as at December 31, 2019 was 9,327,172,000.

Name	Nature of Interests	Number of shares	Percentage to the issued share capital of the Company
Neo Tech Inc. *(note (i))*	Corporate	265,368,000 (long position)	23.71%

Notes:

(i) Neo Tech Inc. is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Ng Yu. Mr. Ng Yu is therefore deemed to be interested in 265,368,000 Shares for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Based on information available to the Board and to the best knowledge of the Board, save as otherwise disclosed herein, at no time during the Current Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Based on information available to the Board and to the best knowledge of the Board, save as otherwise disclosed herein, there was no transaction, arrangement or contract of significance to which the Company, its holding company, any of its subsidiaries or any of its fellow subsidiaries was a party in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Current Year or at any time during the Current Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Based on information available to the Board and to the best knowledge of the Board, none of the Directors or their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

Based on information available to the Board and to the best knowledge of the Board, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Group's controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTION

On February 18, 2019, the Company and Internet Finance Investment Co. Ltd., a company wholly-owned by Ms. Cheung Kwan (the former chairlady, executive director and substantial shareholder of the Company) (the "Original Bondholder"), entered into a deed of variation, pursuant to which the parties agreed that, subject to fulfilment of the conditions precedent, the terms of the deed poll of convertible bonds (the "2019 Convertible Bonds") executed by the Company and the Original Bondholder on February 18, 2016 (as amended by the deed of variation dated January 10, 2018) would be amended as follows:

(i) the maturity date to be extended from February 18, 2019 to February 18, 2020;

(ii) the 2019 Convertible Bonds would bear interest at the rate of 5% per annum commencing from February 18, 2019 (originally zero coupon); and

(iii) the principal amount of 2019 Convertible Bonds would increase from HK$100,000,000 to HK$105,000,000 and the Company would issue additional convertible bonds in the principal amount of HK$5 million to the Original Bondholder free of payment.

Save as disclosed above, all the remaining terms and conditions of the 2019 Convertible Bonds remain unchanged. The above amendments (the "Convertible Bonds Restructure") was approved by the shareholders at the Company's extraordinary general meeting on June 18, 2019 and completed on June 25, 2019. Details of the Convertible Bonds Restructure are set out in the Company's circular to shareholders dated May 20, 2019 and announcements dated February 18, 2019, June 18, 2019 and June 25, 2019.

The Convertible Bonds Restructure was considered to be substantial modification of terms and conditions of the 2019 Convertible Bonds. Accordingly, the 2019 Convertible Bonds have been accounted for as extinguishment and the convertible bonds resulting from the Convertible Bonds Restructure (the "2020 Convertible Bonds") have been recognised upon the completion of the Convertible Bonds Restructure on June 25, 2019. The Group recognised a loss of the Convertible Bonds Restructure of HK$1,693,000 during the year. The Group recognised the liability component and derivatives of the 2020 Convertible Bonds on June 25, 2019 which were determined based on the valuations performed by an independent firm of professional valuers with recognised qualifications and experiences using discounted cash flow model at an equivalent market interest rate for a similar bond without a conversion option and Binomial option pricing model, respectively. The effective interest rate of the liability component is 11% per annum. The derivatives of the 2020 Convertible Bonds include Early Redemption Option and Mandatory Conversion Option, both options are interdependent.

The conversion price of 2020 Convertible Bonds was adjusted from HK$0.1 per Share to HK$1.0 per Consolidated Share with effect from July 24, 2019. The maximum number of Shares that will be issued upon conversion of all the outstanding 2020 Convertible Bonds at the adjusted conversion price of HK$1.00 is 105,000,000 Shares. Details of the adjustments of the conversion price of the 2020 Convertible Bonds are set out in the Company's announcement on July 24, 2019.

On November 6, 2019, the 2020 Convertible Bonds with the principal amount of HK$100,000,000 was transferred to Neo Tech. Inc. (the "New Bondholder") whereas Mr. Ng Yu, the chairman, executive director and the substantial shareholder of the Company, is the beneficial owner.

On March 25, 2020, the New Bondholder made an irrevocable undertaking that it will enter into an amendment deed to extend the maturity date of the 2020 Convertible Bonds with principal amount of HK$100,000,000 from February 18, 2020 to February 18, 2022, subject to approval from independent shareholders of the Company and the Stock Exchange of Hong Kong Limited. The New Bondholder represented that it will not make any claims against the Company on the overdue of the convertible bonds.

EMPLOYEES AND REMUNERATION POLICIES

The remuneration policy of the senior management of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of the merits, qualifications and competence of employees. The emoluments of the Directors are decided by the Remuneration Committee with regard to the Group's operating results, individual performance and comparable market statistics. Based on information available to the Board and to the best knowledge of the Board, none of the Directors or any of their associates, and executives is involved in deciding his own remuneration during the year. As at December 31, 2019, the Group had 27 employees (2018: 55 employees). The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical care, provident funds, bonuses and other incentives.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the Company's Director and officers against potential legal actions was in force during the period January 1, 2019 to November 11, 2019. The new Board and executive management led by Mr. Ng Yu (appointed as the Chairman on December 23, 2019) has re-confirmed a new policy effective from March 18, 2020 which was the best insurance coverage available to the Company in the market.

SHARE OPTION SCHEME

Details of the share option scheme adopted by the Company on June 26, 2017 and movements of the share options during the year are set out in note 28 to the consolidated financial statements.

KEY RISKS AND UNCERTAINTIES

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Liquidity Risk

Liquidity risk mainly refers to the risk of liquid capital deficiency when the Group performs its obligations in relation to its financial liabilities. Liquidity risk management constitutes an essential part of the Group's risk management function. The Group is required to meet various statutory liquidity requirements as prescribed by the relevant regulatory authorities and has put in place a monitoring system to ensure that it maintains adequate liquid capital to support its business commitments and to comply with the relevant Financial Resources Rules.

Credit Risk

Credit risk refers to the risk of economic losses stemming from failure of any counterparty or borrower to meet their contractual obligations. The Group monitors closely the changes in loan balances and positions of any single major client. In the event of any sudden adverse change in market conditions, the relevant salesperson will be urged to take prompt remedial action, such as requesting clients to reduce positions, depositing funds or improving quality of their stock portfolio to maintain risks at a level acceptable to the Group. Meanwhile, to avoid overconcentration of credit risk, the Group has set upper limits on client concentration risk and stock concentration risk and imposed caps on margin lending secured against a single stock for individual clients. The Group also performs due diligence reviews to examine the background of applicants and project authenticity before any sizable loan applications are submitted for approval. In the course of project approval, the team provides suggestions on risk prevention and control over critical risk factors of projects and delivers separate risk analysis reports. As for post-financing management, the responsible business team and the relationship managers perform on-going monitoring over existing projects and pay heed to any change in the operating and financial position of borrowers and investment projects. They also monitor the quality of the relevant collaterals, perform internal rating for the approved projects based on their latest credit standing and issue a warning to the management when abnormalities arise. The monitoring findings will be reported to the management on a monthly basis.

Regulatory and Compliance Risks

The Group upholds a robust Legal and Compliance Risk Management Framework by understanding the regulatory environment on current business, assessing severity level and causes of identified legal and compliance risk and formulate on-going comprehensive plan to carry out remedies and refinements for mitigation and remediation. To mitigate the relevant risks, all rounded Group policies, procedures and standardized templates are implemented and updated timely with business development and regulatory rules changes. Through sounded management system and procedures, the professional team monitors and prevents compliance risks in relation to anti-money laundering, conflict of interests, information barriers, market misconducts etc..

Technology Risk

Technology risk refers to the risk of loss related to information technology due to inadequate information technology and processing in terms of manageability, integrity, controllability, and continuity. The Group has established internal control policy which covers risk governance, communication, monitoring, assessment, mitigation and acceptance and is supported by a set of IT policies, standards and controls.

Reputational Risk

Reputational risk is the risk that the Group's reputation is damaged by reputation events, as reflected from negative publicity, as a result of business practices, conduct or financial condition of the Group or its representatives, potentially causing irreparable damage to the Group's brand value. The Group has adopted the prudent and proactive approach to managing reputational risk. The Group's corporate governance system, clearly communicated corporate values emphasizing integrity and ethical conduct in every business decision and activity; and integrated approach to managing risk set the foundation for minimizing reputation risk.

Details of the Group's financial risks which include credit risk, liquidity risk, interest risk, currency risk and equity price risk and the relevant management policies are set out in note 44 in the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group's environmental impact. Energy saving and power monitoring systems are in place for various business units to monitor our environmental performance. The Company also strives to implement recycling and reducing measures in office premises where applicable.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year under review, based on information available to the Board and to the best knowledge of the Board, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationships with each of its key stakeholders.

The details of the Group's major customers, the credit terms granted to them and credit risk exposure are set out in the section headed "Major Customers and Suppliers" in the "Report of the Directors" and note 44(a)(i) to the consolidated financial statements.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Based on information available to the Board and to the best knowledge of the Board, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Current Year.

DIVIDEND POLICY

According to recent amendments to the Corporate Governance Code and the related listing rules, the Company has set up dividend policy as from January 1, 2019. In determining whether to propose a dividend and the relevant dividend pay-out ratio, the Board will consider, including but not limited to, the Group's earnings performance, financial position, expected working capital requirements, investment requirements, future expansion plan and general economic condition as well as other external factors that may have an impact on the business of the Company. The payment of dividend is also subject to any restrictions and requirements under the Cayman Islands law, the Company's Bye-laws and the Listing Rules. There is no assurance that a dividend will be proposed or declared in any given year.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

MANAGEMENT CONTRACT

Based on information available to the Board and to the best knowledge of the Board, no contract for the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Year, the percentages of purchases attributable to the Group's largest supplier and five largest suppliers combined were 80.1% and 95.2%, respectively (2018: 13.6% and 29.3%). For the Current Year, the percentages of sales attributable to the Group's largest customer and 5 largest customers combined were 29.2% and 95.7%, respectively (2018: 22.0% and 70.8%). Based on information available to the Board and to the best knowledge of the Board, at no time during the year did a director, an associate of a director or a substantial shareholder (owned more than 5% of the Company's issued share capital to the knowledge of the directors) has a beneficial interest in any of the Group's five largest suppliers or customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51 (B) of the Listing Rules, the changes in information of directors subsequent to the date of the 2019 Interim Report of the Company is set out below:

Appointment

Mr. Ng Yu was appointed as the Chairman of the Board, a member of the Executive Committee of the Board on December 23, 2019 and a member of the Remuneration Committee of the Board on March 19, 2020.

Mr. Wei Weicheng was appointed as an Executive Director, a member of the Executive Committee, Nomination Committee on December 23, 2019 and a member of the Risk Management Committee of the Board on December 30, 2019.

Mr. Lin Feng was appointed as an Executive Director on January 10, 2020.

Mr. Huang Shao Long was appointed as an Executive Director on January 10, 2020 and a member of the Audit Committee of the Board and redesignated as Non-executive Director on March 19, 2020.

Mr. Chan Chi Ming was appointed as an Executive Director and a member of the Executive Committee of the Board on April 6, 2020.

Ms. Zhao Hong Mei was appointed as Executive Director and a member of the Executive Committee of the Board on January 9, 2019.

Mr. Lo Hang Fong was appointed as Independent Non-executive Director and a member of the Audit Committee of the Board on March 19, 2020.

Mr. Wang Jun sheng was appointed as a member of the Risk Management Committee of the Board on March 19, 2020.

Appointment and re-election

Mr. Li Junheng was appointed as an Executive Director on November 6, 2019 but was not being re-elected on January 10, 2020.

Appointment and resignation

Mr. Li Xin was appointed as a Non-executive Director on January 9, 2019, a member of the Risk Management Committee of the Board on November 6, 2019 and resigned on December 9, 2019.

Resignation/Removal

Ms. Cheung Kwan was removed as the chairlady, a member of Executive Committee, a member of the Nomination Committee and a member of the Risk Management Committee of the Board on December 19, 2019.

Mr. Sun Yu was appointment as the Chairman and a member of the Risk Management Committee of the Board on January 15, 2019, Mr. Sun Yu resigned as an Executive Director, a member of the Executive Committee, the Chairman and member of the Risk Management Committee of the Board on December 30, 2019.

Ms. Jin Xi resigned as an Independent Non-executive Director, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Board on December 9, 2019.

Mr. Wang Dayong resigned as an Non-executive Director, Chairman and a member of the Remuneration Committee of the Board on December 9, 2019.

Mr. Liu Hu resigned as an Executive Director, a member of the Executive Committee and the Risk Management Committee of the Board on November 6, 2019.

Mr. Ling Zack Xiange resigned as an Executive Director, a member of the Executive Committee and the Nomination Committee, the Chairman and a member of the Risk Management Committee of the Board on January 15, 2019.

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended December 31, 2019 have been reviewed and approved by the audit committee of the Company (the "Audit Committee"). The Audit Committee is of the opinion that such audited consolidated financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements save as those disclosed in the Auditor's disclaimer of opinion. The Audit Committee therefore recommended for the Board's approval of the Group's audited consolidated financial statements for the year ended December 31, 2019.

For details of the view of the Audit Committee on the Auditor's disclaimer of opinion, please refer to "Additional Information on Auditor's Opinion" section on page 175.

AUDITOR

The consolidated financial statements of the Group for the Current Year have been audited by CHENG & CHENG LIMITED ("C&C") who will retire and, being eligible, offer themselves for re-appointment. A resolution for re-appointment of C&C as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Mr. Ng Yu
Chairman and Executive Director

Hong Kong
July 7, 2020

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭 鄭 會 計 師 事 務 所 有 限 公 司

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AMBER HILL FINANCIAL HOLDINGS LIMITED (FORMERLY KNOWN AS CHINA CLOUD COPPER COMPANY LIMITED AND ASIA INVESTMENT FINANCE GROUP LIMITED)

(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Amber Hill Financial Holdings Limited (formerly known as China Cloud Copper Company Limited and Asia Investment Finance Group Limited) (the "Company") and its subsidiaries ("the Group") set out on pages 61 to 174, which comprise the consolidated statement of financial position as at December 31, 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.

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

BASIS FOR DISCLAIMER OF OPINION

Deconsolidation of subsidiaries

As disclosed in notes 2(d) and 18 to the consolidated financial statements, the directors of the Company (the "Board") were unable to obtain cooperation from the legal representative, directors and key management of a subsidiary, namely, Harmonic Strait Credit Guarantee Company Limited ("Harmonic Strait" or the "Deconsolidated Subsidiary") and the wholly owned subsidiaries of Harmonic Strait namely Shenzhen Hanhong SCM Co., Ltd. and Shenzhen Sunnyway International Trading Company Limited (together with Harmonic Strait, collectively known as the "Deconsolidated Subsidiaries").Therefore, the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries. In the opinion of the Board, the consolidated financial statements of the Group for the year ended December 31, 2019, which were prepared on the basis that the deconsolidation of the Deconsolidated Subsidiaries was deemed to be effective on January 1, 2019 (the "Deconsolidation"), presented more fairly the results, state of affairs and cashflows of the Group as a whole in light of incomplete books and records of the Deconsolidated Subsidiaries. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of Deconsolidated Subsidiaries since January 1, 2019. Therefore, the Deconsolidation was not in compliance with the requirements of Hong Kong Financial Reporting Standard ("HKFRS") 10 "Consolidated Financial Statements". Had the Deconsolidated Subsidiaries been consolidated up to the date when the control over the Deconsolidated Subsidiaries was lost, many elements in the consolidated financial statements would have been materially affected.

Loss on Deconsolidation of the Deconsolidated Subsidiaries

Due to lack of complete books and records of the Deconsolidated Subsidiaries mentioned above, we are unable to obtain sufficient appropriate audit evidence to determine whether the loss on the Deconsolidation amounting to approximately HK$120,156,000 was free from material misstatement. Accordingly, we are unable to ascertain the impact of the Deconsolidation.

Amount due to a Deconsolidated Subsidiary

As disclosed in note 38 to the consolidated financial statements, the Group recorded amount due to a Deconsolidated Subsidiary of approximately HK$8,467,000 as at December 31, 2019. As further disclosed in notes 2(d) and 18 to the consolidated financial statements, the Board has been unable to gain access to the books and records of the Deconsolidated Subsidiary and has been unable to obtain information and explanations from management of the Deconsolidated Subsidiary on matters concerning the books and records of the Deconsolidated Subsidiary. There were no other satisfactory alternative audit procedures that we could perform to satisfy ourselves as to whether the amount due to a Deconsolidated Subsidiary was free from material misstatement. Due to these factors, we have not been able to obtain sufficient appropriate audit evidence to determine the validity and completeness of the amount due to a Deconsolidated Subsidiary as at December 31, 2019 and whether there were unrecorded transactions entered into with the Deconsolidated Subsidiary during the year ended December 31, 2019 which had been accounted for and in compliance with the requirements of applicable HKFRSs and the Hong Kong Listing Rules. Any adjustments found to be the required may have consequential significant effects on the balances of the amount due to a Deconsolidated Subsidiary, the recorded amounts and description of the relevant transactions with the Deconsolidated Subsidiary as at and for the year ended December 31, 2019 and other elements in the consolidated financial statements for the year ended December 31, 2019 and hence on the net liabilities of the Group as at December 31, 2019 and loss and other comprehensive income and cash flows of the Group for the year then ended and related disclosures thereof in the consolidated financial statements.

Limitation of scope on interest in an associate

As stated in note 17 to the consolidated financial statements, the Group has accounted for its interest in an associate using the equity method. As at December 31, 2019, the carrying amount of the interest in an associate was approximately HK$586,000, and the Group's share of profit of an associate and impairment loss on interest in an associate for the year ended December 31, 2019 were approximately HK$5,396,000 and HK$46,445,000 respectively. However, during the course of our audit, we have not been able to obtain sufficient information and explanations from the management of the associate that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of associate's result and impairment loss on interest in an associate for the year and thus the carrying amount of the interest in an associate included in the Group's consolidated statement of financial position as at December 31, 2019 are fairly stated and whether the summarised financial information of an associate as shown in the consolidated financial statements are properly disclosed. In addition, the impairment assessment on the recoverable amount of interest in an associate was based on asset approach determined by the Board of the Company. The key assumptions on asset approach are those regarding, discount on lack of marketability and discount on lack of control. However, the Board could not provide sufficient appropriate audit evidence to substantiate the appropriateness of adopting asset approach, the reasonableness of the above assumptions and financial data used in the asset approach and thus the carrying amount of the interest in an associate included in the Group's consolidated statement of financial position as at December 31, 2019 are fairly stated and whether the summarised financial information of an associate as shown in the consolidated financial statements are properly disclosed. There were no other satisfactory alternative audit procedures that we could adopt to obtain sufficient appropriate audit evidence in this regard.

Any adjustment to the amount of the above interest in an associate found to be necessary would affect the Group's net liabilities as at December 31, 2019 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

Limitation of scope on trading of security products and provision of security services business segment

Limitation of scope on Revenue, cost of sales, trade receivables, other receivables, trade payables, tax payables and non-controlling interests of trading of security products business

As disclosed in notes 46(a) and (c) to the consolidated financial statements, subsequent to the loss of control in 2020 for trading of security products and provision of security services business segment, the Board was unable to obtain cooperation from the new management of trading of security products business segment. We were unable to obtain sufficient appropriate audit evidence to determine whether the revenue, cost of sales, trade receivables, other receivables, trade payables, tax payables and non-controlling interests amounting to approximately HK$79,502,000, HK$64,044,000, HK$5,449,000, HK$5,749,000, HK$3,044,000, HK$2,961,000 and HK$8,872,000 respectively were free from material misstatement for the year ended December 31, 2019.

There were no other satisfactory alternative audit procedures that we could carry out to determine whether revenue and cost of sales for the year ended December 31, 2019 and trade receivables, other receivables, trade payables, tax payables and non-controlling interests as at December 31, 2019 were fairly stated.

Any adjustment to revenue, cost of sales, trade receivables, other receivables, trade payables, tax payables and non-controlling interests found to be necessary would affect the Group's net liabilities as at December 31, 2019 and the Group's loss and cash flows for the year then ended and related disclosures to the consolidated financial statements.

Limitation of scope on impairment on intangible assets and goodwill

As stated in notes 14 and 16 to the consolidated financial statements, the intangible assets and goodwill arising from trading of security products and provision of security services business segment were approximately HK$11,188,000 and HK$489,000 respectively as at December 31, 2019. The Board carried out a full scope assessment of the recoverable amount of the cash generating units ("CGUs") of trading of security products and provision of security services business segment to which intangible assets and goodwill have been allocated. As a result of the impairment assessment, the Board considered that impairment loss of approximately HK$10,293,000 and HK$40,235,000 respectively on the intangible assets and goodwill arising from trading of security products and provision of security services business segment were provided for the year ended December 31, 2019. The impairment assessment on the recoverable amount of the CGUs performed by the Group were based on value-in-use calculations by reference to valuation reports prepared by an independent external valuer. The key assumptions for the value-in-use calculations are those regarding growth rates, the projected revenue and related costs used in the cash flow forecasts. However, the Board could not provide sufficient audit evidence to substantiate the reasonableness of the above assumptions used in the cash flow forecasts.

Any adjustment to the amount of the above intangible assets and goodwill of trading of security products and provision of security services business segment found to be necessary would affect the Group's net liabilities as at December 31, 2019 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

Limitation of scope on the fair value change of contingent consideration receivables

As stated in note 32 to the consolidated financial statements, the carrying amount of contingent consideration receivables arising from the acquisition of trading of security products and provision of security services business segment was approximately HK$60,340,000 as at December 31, 2019. The amount of contingent consideration receivables is calculated with reference to the net loss after tax and forecast net loss after tax of trading of security products and provision of security services business segment for years ended December 31, 2019 and 2020 respectively.

The fair value of contingent consideration receivables was determined by the Board by reference to a valuation report prepared by an independent external valuer. The valuation report was based on the expected discounted cash flow method including the net loss after tax and forecast net loss after tax of trading of security products and provision of security services business segment for the years ended December 31, 2019 and 2020 respectively prepared by the Board (the "Profit Forecast"). The key assumption for the expected discounted cash flow method are those regarding the discount rates, financial performance for the year ended December 31, 2019 and the projected revenue and related costs used in the Profit Forecast. However, the Board could not provide sufficient audit evidence to substantiate the reasonableness of the above assumptions used in the Profit Forecast.

Any adjustment to the amount of the above fair value change of contingent consideration receivables found to be necessary would affect the Group's net liabilities as at December 31, 2019 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

Limitation of scope on Impairment assessment of loan receivables and trade receivables

As stated in notes 22, 23 and 44(a) to the consolidated financial statements, as at December 31, 2019, the net carrying amounts of the loan receivables and trade receivables of the Group arising from its advancing business both amounted to HK$Nil. As at the reporting date, the Board has performed impairment assessment on its outstanding loan receivables, including the accrued interest balances. As a result of the assessment, impairment loss on loan receivables and trade receivables of approximately HK$111,128,000 and HK$11,525,000 respectively, have been provided for the year ended December 31, 2019. The Board has informed us that the impairment assessment has been performed based on credit reviews of the outstanding loan and interest balances, taking into account the ageing analysis, historical payment records and the assessment on the recoverable amount of pledged assets.

The new Board members appointed since December 2019 has assessed the recoverability of loan receivables and trade receivables and considered that the collectability was doubtful, however, we have not been able to obtain sufficient appropriate audit evidence regarding the impairment assessments of the outstanding loan receivables and trade receivables. The limitations included but not limited to (i) sufficiently documented credit risk assessments, basis and supporting documentation for the results of the credit reviews and (ii) assessment on the recoverable amount of pledged assets. Due to insufficient documentary evidence concerning the credit reviews and assessment on the recoverable amount of pledged assets made available to us, there were no other satisfactory alternative audit procedures we could perform to satisfy ourselves as to the recoverability of the net carrying amounts of the loan receivables, the recoverable amount of pledged assets and the adequacy of the allowance for impairment of the loan receivables and trade receivables and hence as to whether the carrying amount of the loan receivables and trade receivables for the year ended December 31, 2019 were free from material misstatements. Any adjustments to above matters found to be necessary would affect the Group's net liabilities as at December 31, 2019 and the Group's loss for the year then ended and the related disclosures to the consolidated financial statements.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2(c) to the consolidated financial statements, which states that the Group recorded a loss attributable to equity shareholders of the Company of approximately HK$380,376,000 for the year ended December 31, 2019 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$109,704,000 and HK$101,318,000 respectively. These matters, along with other matters as described in note 46(c) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Board determines 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 Board 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 Board either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Board is also responsible for overseeing the Group’s financial reporting process. The Audit Committee assists the Board in discharging their responsibility in this regard.

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

Our responsibility is to conduct an audit of the Group’s consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor’s report. This report is made solely to you as a body, in accordance with 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.

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

CHENG & CHENG LIMITED
Certified Public Accountants

Chan Shek Chi
Practising Certificate Number P05540
Hong Kong
July 7, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	3 & 40	**135,613**	66,933
Cost of sales and services		**(105,104)**	(50,556)
Gross profit		**30,509**	16,377
Other revenue and other net gain/(loss)	4	**6,625**	(9,821)
Fair value gain on contingent consideration receivables		**54,510**	–
Operating expenses		**(79,193)**	(86,657)
Profit/(Loss) from operations		**12,451**	(80,101)
Finance costs	5	**(15,684)**	(7,428)
Other non-operating expenses			
Loss on deregistration of a subsidiary		**(159)**	–
Share of profit/(loss) of an associate		**5,396**	(4,984)
Loss on disposal of an associate	17	**–**	(5,086)
Loss on deconsolidation of subsidiaries	18	**(120,156)**	–
Gain on disposal of subsidiaries	19	**2,616**	–
		(112,303)	(10,070)
Loss before impairment and tax		**(115,536)**	(97,599)
Impairment loss on goodwill	16	**(43,235)**	–
Impairment loss on intangible assets	14	**(28,681)**	–
Impairment loss on interest in an associate		**(46,445)**	–
Impairment loss on property, plant and equipment		**(294)**	–
Impairment loss on right-of-use assets		**(1,912)**	–
Impairment loss on loan receivables, net	44	**(111,128)**	(13,707)
Impairment loss on trade receivables, net	44	**(18,245)**	(1,308)
Impairment loss on deposit paid, net		**(12,780)**	–
(Impairment loss)/reversal of impairment loss on other receivables, net	44	**(5,570)**	9,715
		(268,290)	(5,300)
Loss before tax	6	**(383,826)**	(102,899)
Income tax credit/(expense)	7	**428**	(432)
Loss for the year		**(383,398)**	(103,331)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive loss for the year			
Item that may be reclassified subsequently to profit or loss:			
Release of translation reserve upon disposal of foreign subsidiaries		**(75)**	–
Release of translation reserve upon deconsolidation of foreign subsidiaries		**(2,020)**	–
		(2,095)	–
Exchange differences on translating financial statements of:			
— subsidiaries		**(126)**	(7,249)
— associate		**253**	(750)
		127	(7,999)
		(1,968)	(7,999)
Total comprehensive loss for the year		**(385,366)**	(111,330)
Loss for the year attributable to:			
Equity shareholders of the Company		**(380,376)**	(103,031)
Non-controlling interests		**(3,022)**	(300)
		(383,398)	(103,331)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the Company		**(382,151)**	(110,864)
Non-controlling interests		**(3,215)**	(466)
		(385,366)	(111,330)
Loss per share	9		(Restated)
— Basic		**HK40.68 cents**	HK11.05 cents
— Diluted		**HK40.68 cents**	HK11.05 cents

The notes on pages 68 to 174 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Note	**2019 HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment	12	**17,180**	24,816
Right-of-use assets	13	**–**	–
Intangible assets	14	**11,188**	45,388
Deposit paid	24	**400**	400
Loan receivables	22	**–**	62,929
Goodwill	16	**489**	43,528
Contingent consideration receivables	32	**34,230**	5,830
Interest in an associate	17	**586**	41,382
		64,073	224,273
Current assets			
Inventories	20	**–**	3,786
Trading securities	21	**114**	1,201
Loan receivables	22	**–**	111,128
Trade receivables	23	**18,654**	19,185
Prepayments, deposits and other receivables	24	**26,577**	136,437
Contingent consideration receivables	32	**26,110**	–
Tax recoverable		**45**	130
Client trust bank balance	25	**1,924**	3,229
Cash and cash equivalents	26	**13,525**	22,910
		86,949	298,006
Total Assets		**151,022**	522,279
Capital and reserves			
Share capital	27	**938**	932,717
Reserves		**(111,085)**	(666,797)
Equity attributable to shareholders of the Company		**(110,147)**	265,920
Non-controlling interests		**8,829**	26,698
Total Equity		**(101,318)**	292,618
Non-current liabilities			
Convertible bonds	37	**52,890**	45,600
Deferred tax liabilities	36	**2,797**	6,750
		55,687	52,350

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Note	**2019 HK$'000**	2018 HK$'000
Current liabilities			
Trade payables	30	**7,764**	6,483
Accruals and other payables	31	**43,304**	57,272
Lease liabilities	34	**5,976**	–
Other loan	35	**13,000**	13,000
Convertible bonds	37	**108,601**	99,095
Amount due to a deconsolidated subsidiary	38	**8,467**	–
Tax payables		**2,961**	1,461
Provisions	33	**6,580**	–
		196,653	177,311
Total Equity and Liabilities		**151,022**	522,279
Net current (liabilities)/assets		**(109,704)**	120,695
Total assets less current liabilities		**(45,631)**	344,968

Approved and authorised for issue by the Board of Directors on July 7, 2020.

On behalf of the board

Mr. Ng Yu
Chairman and Executive Director

Mr. Wei Weicheng
Executive Director

The notes on pages 68 to 174 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Attributable to equity shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000 *(Note a)*	Share option reserve HK$'000	Capital reserve HK$'000	Convertible bond reserve HK$'000	Statutory reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At January 1, 2019	**932,717**	**3,058,278**	**(67)**	**14,690**	**(15,000)**	**37,063**	**3,420**	**(3,765,181)**	**265,920**	**26,698**	**292,618**
Convertible bond restructure	**–**	**–**	**–**	**–**	**–**	**(11,170)**	**–**	**11,114**	**(56)**	**–**	**(56)**
Share issuance	**5,080**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,080**	**–**	**5,080**
Capital reorganisation	**(936,859)**	**936,859**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Lapse of share options	**–**	**–**	**–**	**(180)**	**–**	**–**	**–**	**180**	**–**	**–**	**–**
Equity settled share-based payment	**–**	**–**	**–**	**1,060**	**–**	**–**	**–**	**–**	**1,060**	**–**	**1,060**
Deconsolidation of subsidiaries *(Note 18)*	**–**	**–**	**–**	**–**	**–**	**–**	**(3,420)**	**3,420**	**–**	**(13,170)**	**(13,170)**
Disposal of subsidiaries *(Note 19)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,484)**	**(1,484)**
Total comprehensive loss for the year	**–**	**–**	**(1,775)**	**–**	**–**	**–**	**–**	**(380,376)**	**(382,151)**	**(3,215)**	**(385,366)**
At December 31, 2019	**938**	**3,995,137**	**(1,842)**	**15,570**	**(15,000)**	**25,893**	**–**	**(4,130,843)**	**(110,147)**	**8,829**	**(101,318)**
At January 1, 2018											
— as originally stated	932,717	3,058,278	7,766	8,486	(15,000)	12,663	3,420	(3,664,531)	343,799	13,935	357,734
— adoption of HKFRS 9	–	–	–	–	–	–	–	(6,563)	(6,563)	(503)	(7,066)
— as restated	932,717	3,058,278	7,766	8,486	(15,000)	12,663	3,420	(3,671,094)	337,236	13,432	350,668
Issue of convertible bonds	–	–	–	–	–	24,400	–	–	24,400	–	24,400
Equity settled share-based payment	–	–	–	15,148	–	–	–	–	15,148	–	15,148
Lapse of share options	–	–	–	(8,944)	–	–	–	8,944	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	13,732	13,732
Total comprehensive loss for the year	–	–	(7,833)	–	–	–	–	(103,031)	(110,864)	(466)	(111,330)
At December 31, 2018	932,717	3,058,278	(67)	14,690	(15,000)	37,063	3,420	(3,765,181)	265,920	26,698	292,618

Note:

(a) On January 1, 2019, the Group deconsolidated certain subsidiaries and therefore release the translation reserve upon deconsolidation.

The notes on pages 68 to 174 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Note	2019 HK$'000	2018 HK$'000
Operating activities			
Loss before tax		**(383,826)**	(102,899)
Adjustments for:			
Amortisation on intangible assets		**5,411**	–
Depreciation on right-of-use assets		**11,083**	–
Interest income	4	**(18)**	(5,628)
Dividend income	4	**–**	(159)
Interest on lease liabilities	5	**762**	–
Interest on other borrowings	5	**922**	915
Interest on convertible bonds	5	**14,000**	6,513
Share of (profit)/loss of an associate		**(5,396)**	4,984
Loss on disposal of an associate		**–**	5,086
Loss on written off of property, plant and equipment		**1,600**	–
Depreciation on property, plant and equipment		**5,630**	6,275
Equity settled share-based payment expenses		**1,060**	15,148
Fair value gain on contingent consideration receivables		**(54,510)**	–
Fair value loss on derivative financial assets		**1,546**	–
Realised loss on disposal of trading securities	4	**498**	30,936
Unrealised loss on fair value changes in trading securities	4	**67**	1,303
Loss on deconsolidation of subsidiaries		**120,156**	–
Loss on deregistration of a subsidiary		**159**	–
Gain on disposal of subsidiaries		**(2,616)**	–
Impairment loss on goodwill		**43,235**	–
Impairment loss on intangible assets		**28,681**	–
Impairment loss on interest on an associate		**46,445**	–
Impairment loss on right-of-use assets		**1,912**	–
Impairment loss on loan receivables, net		**111,128**	13,707
Impairment loss on property, plant and equipment		**294**	–
Impairment loss on trade receivables, net		**18,245**	1,308
Impairment loss/(reversal of impairment loss) on other receivables, net		**5,570**	(9,715)
Impairment loss on deposit paid, net		**12,780**	–
Loss/(gain) on convertible bonds restructure	4	**1,693**	(6,542)
Provision for litigation claim		**6,580**	–
Operating loss before changes in working capital		**(6,909)**	(38,768)
Decrease in inventories		**3,786**	27,782
Decrease in trading securities		**601**	1,111
Increase in loan receivables		**–**	(85,057)
(Increase)/Decrease in trade receivables		**(17,766)**	3,475
Decrease in prepayments, deposits and other receivables		**21,646**	44,330
Decrease in client trust bank balance		**1,305**	6,116
Increase/(Decrease) in trade payables		**1,326**	(13,897)
Decrease in accruals and other payables		**(1,766)**	(8,549)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Note	2019 HK$'000	2018 HK$'000
Cash generated from/(used in) operations		**2,223**	(63,457)
Profits tax paid		**(1,942)**	–
Net cash generated from/(used in) operating activities		**281**	(63,457)
Investing activities			
Purchase of property, plant and equipment		**(27)**	(124)
Interest received		**18**	2,177
Acquisition of subsidiaries	39	**–**	2,978
Proceeds from disposal of property, plant and equipment		**32**	4
Net cash outflow from deconsolidation of subsidiaries	18	**(8,380)**	–
Net cash outflow from disposal of subsidiaries	19	**(841)**	–
Net cash (used in)/generated from investing activities		**(9,198)**	5,035
Financing activities			
Consideration paid for convertible bonds restructure		**(499)**	–
Proceeds from other loan		**–**	13,000
Interest paid		**(111)**	(728)
Capital element of lease payments		**(5,589)**	–
Interest element of lease payments		**(325)**	–
Advances from/(Repayment to) other payables		**1,199**	(8,659)
Proceeds from issuance of shares		**5,080**	–
Net cash (used in)/generated from financing activities		**(245)**	3,613
Net decrease in cash and cash equivalents		**(9,162)**	(54,809)
Cash and cash equivalents at beginning of year		**22,910**	78,460
Effect of exchange rate changes		**(223)**	(741)
Cash and cash equivalents at end of year	26	**13,525**	22,910

The notes on pages 68 to 174 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

General information

Amber Hill Financial Holdings Limited (formerly known as China Cloud Copper Company Limited and Asia Investment Finance Group Limited) (the "Company") was incorporated and domiciled in the Cayman Islands under Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on March 20, 2007. The Company's shares were listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on November 19, 2007.

The Company is an investment holding company. The Group is principally engaged in securities brokerage and assets management, advancing business, credit guarantee and investment business, trading of party products and metals and minerals, trading of security products and provision of security services.

The address of its principal place of business of the Company is Unit A, 5/F, Chunghing Commercial Building, 62–63 Connaught Road Central, Central, Hong Kong and the Company has been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on September 4, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting year of the Group and the Company. Note 2(e) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in this report.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2019 comprise of the Company and its subsidiaries have been prepared in accordance with HKFRSs and under the historical cost convention except where stated otherwise in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

(c) Going concern basis

The Group recorded a loss attributable to equity shareholders of the Company of approximately HK$380,376,000 for the year ended December 31, 2019 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$109,704,000 and HK$101,318,000 respectively. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above conditions, the consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern after taking into consideration of the following plans and measures:

- The substantial shareholder, Mr. Ng Yu, has confirmed his intention to provide continuing financial support to satisfy the Group's working capital and other financing requirement through continual renewal of borrowings or continual provision of additional financing to the Group;

- Subsequent to December 31, 2019, the new bondholder, Neo Tech Inc., which was beneficially owned by Mr. Ng Yu, with principal amount of HK$100 million made an irrevocable undertaking that it will enter into an amendment deed to extend the maturity date of the convertible bond with principal amount of HK$100 million from February 18, 2020 to February 18, 2022, subject to approval from independent shareholders of the Company and the Stock Exchange of Hong Kong Limited;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Going concern basis *(continued)*

- Subsequent to December 31, 2019, the Company had entered into loan agreements with the substantial shareholder, Mr. Ng Yu with principal amount of HK$35 million, interest charged at 2.5% per annum and repayable on demand;
- Subsequent to December 31, 2019, the Company had entered into a placing agreement and completed the placing for the net proceeds of approximately HK$17,965,000 applied as general working capital of the Group; and
- The Group is in the process of soliciting potential new customers and shall continue to apply various measures to tighten its operation expenditures in order to improve its financial performance and cash flows.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the consolidated financial statements to write down the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(d) Deconsolidation of subsidiaries of the Company

During the time between the end of reporting period and date of this annual report, despite repeated verbal, written request and physical meeting in Beijing, PRC, the Board has been unable to obtain cooperation from legal representative, directors and key management of its subsidiary, Harmonic Strait Credit Guarantee Company Limited ("Harmonic Strait" or the "Deconsolidated Subsidiary") and subsidiaries of Harmonic Strait including Shenzhen Hanhong SCM Co., Ltd. and Shenzhen Sunnyway International Trading Company Limited (together with Harmonic Strait, collectively known as the "Deconsolidated Subsidiaries").

Due to the inability to obtain cooperation from the legal representative, directors and key management of the Deconsolidated Subsidiaries, the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries.

Given these circumstances, the Board has not consolidated the financial statements of the Deconsolidated Subsidiaries in the consolidated financial statements of the Group for the year ended December 31, 2019. As such, the results of the Deconsolidated Subsidiaries for the year ended December 31, 2019 and the assets and liabilities of the Deconsolidated Subsidiaries as at December 31, 2019 have not been included into the consolidated financial statements of the Group.

In the opinion of the Board, although apparent evidence and information available to the Board did not substantiate the Group had lost of control of the Deconsolidated Subsidiaries since January 1, 2019, the consolidated financial statements of the Group for the year ended December 31, 2019 were prepared on the basis that the deconsolidation of the Deconsolidated Subsidiaries was deemed to be effective on January 1, 2019 (the "Deconsolidation"), presented more fairly the results, state of affairs and cashflows of the Group as a whole in light of incomplete books and records of the Deconsolidated Subsidiaries. Had the Deconsolidated Subsidiaries been consolidated up to the date when the control over the Deconsolidated Subsidiaries was lost, many elements in the consolidated financial statements would have been materially affected.

Further details of the Deconsolidated Subsidiaries are set out in Note 18 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Changes in accounting policies and disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

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 consolidated financial statements for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases — incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from January 1, 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Changes in accounting policies and disclosures *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after January 1, 2019. For contracts entered into before January 1, 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

At the date of transition to HKFRS 16 (i.e. January 1, 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at January 1, 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 8.13%.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Changes in accounting policies and disclosures *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

b. Lessee accounting and transitional impact *(continued)*

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before December 31, 2019;

The following table reconciles the operating lease commitments as disclosed as at December 31, 2018 to the opening balance for lease liabilities recognised as at January 1, 2019:

	January 1, 2019
	HK$'000
Operating lease commitments disclosed as at December 31, 2018	16,643
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before December 31, 2019	(5,443)
	11,200
Less: Total future interest expenses	(461)
Lease liabilities as at January 1, 2019	10,739

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Changes in accounting policies and disclosures *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

b. Lessee accounting and transitional impact *(continued)*

(i) *(continued)*

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

	HK$'000
Assets	
Increase in right-of-use assets	10,739
Liabilities	
Increase in lease liabilities	10,739

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Possible impact of New and Amendments to HKFRSs in issue but not yet effective for the year ended December 31, 2019

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[3]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[5]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after January 1, 2021
3 Effective for annual periods beginning on or after January 1, 2020
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period on or after January 1, 2020.
5 Effective for annual periods beginning on or after June 1, 2020

(g) Business Combinations under Common Control

Business combinations under common control are accounted for in accordance with the merger accounting. In applying merger accounting, the combined financial information incorporates the consolidated financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of controlling party.

The net assets of the combining entities or businesses are combined using the existing book values prior to the common control combinations from the controlling parties' perspective. No account is recognised in respect of goodwill or excess acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of an impairment of the asset transferred.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Subsidiaries and Non-controlling Interests

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position an investment in a subsidiary is stated at cost less any impairment losses unless the investment is classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or sharebased payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale* and *Discontinued Operations* are measured in accordance with that standard.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Interest in an Associate

An associate is an entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investment in an associate includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in consolidated statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group reduces its ownership interest in an associate or a joint venture 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Goodwill

Goodwill represents the excess of:

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

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

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

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

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

(l) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvement	the shorter of lease-term or 5 years
Plant and machinery	5 years
Furniture, fixtures and equipment	3–6 years
Moulds	5 years
Motor vehicles	3–5 years
Vessel	10 years

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Intangible Assets (Other than Goodwill)

Intangible assets are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(n) Leased Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(A) Policy applicable from January 1, 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Leased Assets *(continued)*

(A) Policy applicable from January 1, 2019 (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (note 13).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to January 1, 2019

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Financial assets

The Group's policies for investment in debt and equity securities, other than investments in subsidiaries and associate, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 44. These investments are subsequently accounted for as follows, depending on their classification.

Classification

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(aa)(v).

Under HKFRS 9, financial assets such as receivables shall be subsequently measured at amortised cost if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the financial asset is calculated using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalent, client trust bank balance, trade and other receivables and loan receivables).

Financial assets measured at fair value, including the trading securities and contingent consideration receivables, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discontinued using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Measurement of ECLs *(continued)*

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date and

— Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk *(continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(aa)(iii) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

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

— property, plant and equipment;

— right-of-use assets;

— investment in subsidiaries in the Company's statement of financial position;

— interest in an associate;

— intangible assets; and

— goodwill.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(q) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date of grant and are subsequently remeasured at fair value at the end of each reporting period. The gain or loss on remeasurement to the fair value of derivative financial instruments is recognised immediately in profit or loss.

(s) Convertible Bonds

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bond reserve until either the bond is converted or redeemed.

If the convertible bond is converted, the convertible bond reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bond is redeemed, the convertible bond reserve is released directly to accumulated losses.

(t) Trade and Other Payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowing are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Client Trust Bank Balance

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified the clients' monies as client trust bank balance under the current assets in the consolidated statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised corresponding accounts payable to the respective customers in the current liabilities. Under the Hong Kong Securities and Futures Ordinance (Cap. 571), the Group is not allowed to use the clients' monies to settle its own obligation.

(w) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(x) Employee Benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Employee Benefits *(continued)*

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase share option reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to accumulated losses).

(y) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(y) Income Tax *(continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(z) Financial Guarantees Issued, Provisions and Contingent Liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Credit losses from financial instruments"; and (ii) the amount liability recognised less, when appropriate, the cumulative amount of income recognised.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(aa) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when control over a product or service is transferred to the customers.

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

(i) Credit guarantee service and investment income

Credit guarantee service and investment income consist of guarantee service income rendered by providing financial guarantee to borrowers in obtaining loan from third party. The guarantee fee and related service income are recognised when the service is rendered.

(ii) Sales of goods

Sales of party products

Sales of party products to customers. Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customers.

Sales of security products

Sales of security products to customers. Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customers.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the assets.

(iv) Commission income

Commission income from securities brokerage business is recorded as income on a trade date basis.

(v) Dividend income

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

(vi) Assets management income is recognised on accrual basis when services are provided.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(aa) Revenue Recognition *(continued)*

(vii) Security services income

Arranging security services to customers including but no limited to, public safety consulting services, overseas on-site public safety management service and public safety training service. Revenue is recognised when the service is rendered.

(viii) Other income not stated above is recognised whenever received or received.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

(bb) Foreign Currencies

The Group's consolidated financial statements are presented in Hong Kong dollars, which is also the Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(bb) Foreign Currencies *(continued)*

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Hong Kong dollars at the rate of exchange prevailing at the reporting date and their income and expenses items are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

(cc) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(dd) Related Parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

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

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

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

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(ee) Segment Reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. REVENUE

The principal activities of the Group are sales of party products, provision of securities brokerage and assets management service and sales of security products and provision of security services.

Disaggregation of Revenue

Disaggregation of revenue from contracts with customers by major products or service lives is as follows:

	2019 **HK$'000**	2018 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of party products	**40,965**	51,479
Brokerage commission income and assets management income (excluded interest income from cash and margin client)	**76**	623
Sales of security products	**79,502**	1,248
Provision of security services	**2,419**	269
	122,962	53,619

3. REVENUE *(CONTINUED)*

Disaggregation of Revenue *(continued)*

	2019	2018
	HK$'000	HK$'000
Revenue from other sources		
Credit guarantee service and investment income	**–**	212
Interest income from advancing business	**12,001**	12,514
Interest income from cash and margin client earned from brokerage commission income and assets management income	**650**	588
	12,651	13,314
Total	**135,613**	66,933
Disaggregation by timing of revenue recognition within the scope of HKFRS 15		
— Over time	**2,419**	269
— At a point in time	**120,543**	53,350
	122,962	53,619

As all revenue contracts have original expected duration of one year or less. The Group has applied the practical expedient under the HKFRS 15 for not disclosing transaction price allocated to unsatisfied performance obligation.

4. OTHER REVENUE AND OTHER NET GAIN/(LOSS)

	2019	2018
	HK$'000	HK$'000
Fair value loss on derivative financial assets *(Note 37(a))*	**(1,546)**	–
(Loss)/gain on convertible bonds restructure *(Note 37(a))*	**(1,693)**	6,542
Net exchange gain	**954**	910
Unrealised loss on fair value changes in trading securities	**(67)**	(1,303)
Realised loss on disposal of trading securities	**(498)**	(30,936)
Dividend income	**–**	159
Interest income	**18**	5,628
Sundry income	**11,057**	9,179
Loss on written off of property, plant and equipment	**(1,600)**	–
	6,625	(9,821)

5. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on convertible bonds	**14,000**	6,513
Interest on lease liabilities	**762**	–
Interest on other borrowings	**922**	915
	15,684	7,428

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting) the following:

	2019 HK$'000	2018 HK$'000
Auditor's remuneration		
— Audit service	**1,870**	1,200
— Non-audit service	**584**	250
Cost of inventories included in cost of sales and services	**105,104**	50,422
Cost of service included in cost of sales and services	**–**	134
Amortisation of intangible assets	**5,411**	–
Depreciation		
— Owned property, plant and equipment	**5,630**	6,275
— Right-of-use assets*	**11,083**	–
Staff costs (including directors' emoluments):		
— Salaries, wages and other benefits	**20,712**	25,435
— Contributions to defined contribution retirement plans	**1,454**	399
— Equity settled share-based payment expenses	**1,060**	14,756
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*	**–**	18,825
Equity settled share-based payment expenses to non-employees	**–**	392

* The group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at January 1, 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(e) for further details.

7. INCOME TAX (CREDIT)/EXPENSE

The amount of taxation charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2019 **HK$'000**	2018 HK$'000
Current tax — Hong Kong Profits Tax		
Charge for the year	**–**	432
Under-provision in prior years	**276**	–
Current tax — PRC Income Tax		
Charge for the year	**3,050**	–
Under-provision in prior years	**172**	–
	3,498	432
Deferred tax credit	**(3,926)**	–
Total income tax (credit)/expense	**(428)**	432

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits (2018: the provision for Hong Kong Profits Tax was calculated at 16.5%, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime).

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The provision for PRC Income tax for 2019 is calculated at 25% of the estimated assessable profits for the year. No PRC income tax has been provided for the Group as the Group's subsidiaries in the PRC did not have any assessable profit for the year ended December 31, 2018.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is exempted from any income tax in the Cayman Islands and the BVI.

7. INCOME TAX (CREDIT)/EXPENSE *(CONTINUED)*

Reconciliation between actual tax (credit)/expense and notional tax on loss before taxation at the applicable tax rates:

	2019	2018
	HK$'000	HK$'000
Loss before tax	**(383,826)**	(102,899)
Tax at the applicable rate of 16.5% (2018: 16.5%)	**(63,331)**	(16,978)
Effect of different tax rate in other country	**(14,721)**	(635)
Tax effect of income not subject to taxation	**(12,251)**	(3,279)
Tax effect of expenses not deductible for taxation purposes	**66,829**	10,940
Tax effect of share of (profit)/loss of an associate	**(1,349)**	1,246
Unused tax losses not recognised	**23,047**	8,701
Tax effect of origination and reversal of temporary differences	**894**	–
Adjustment for under-provision in previous year	**448**	–
Others	**6**	437
Income tax (credit)/expense	**(428)**	432

8. DIVIDENDS

The Board of the Company did not recommend any final dividend for the year ended December 31, 2019. No dividend was paid during the year (2018: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders of the Company over the weighted average number of ordinary shares issued during the year.

	2019	(Restated) 2018
	HK$'000	HK$'000
Loss attributable to equity shareholders	**(380,376)**	(103,031)

	2019	2018
	'000 shares	'000 shares
Weighted average number of ordinary shares		
At the beginning of the year	**9,327,172**	9,327,172
Effect of issue of new shares	**22,686**	–
Effect of capital reorganisation	**(8,414,872)**	(8,394,455)
	934,986	932,717

Total issued ordinary shares at December 31, 2019 and 2018 was 937,797,000 and 9,327,172,000 shares respectively.

(b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share during the years ended December 31, 2019 and 2018. Therefore, the diluted loss per share is the same as basic loss per share during the years ended December 31, 2019 and 2018.

10. RETIREMENT BENEFITS COSTS

The Group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") effective from December 1, 2000. The Group contributed according to the minimum requirements of the MPF Ordinance and the contributions are charged to the consolidated statement of profit or loss and other comprehensive income.

The employees of the Group's subsidiaries that operated in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute pension, based on a certain percentage of their payroll costs, to the pension schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

11. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY

(a) Directors' remuneration is disclosed as follows:

	For the year ended December 31, 2019					
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Discretionary Bonus HK$'000	Contributions to retirement scheme HK$'000	Equity settled share-based payment expenses HK$'000	Total HK$'000
Executive Directors *(note iii)*						
Ng Yu *(appointed on December 23, 2019)*	–	–	–	–	–	–
Wei Weicheng *(appointed on December 23, 2019)*	–	–	–	–	–	–
Zhao Hong Mei *(appointed on January 9, 2019)*	–	–	–	–	–	–
Cheung Kwan *(removed on December 19, 2019)*	6,000	–	–	17	–	6,017
Ling Zack Xiange *(resigned on January 15, 2019)*	–	–	–	–	150	150
Sun Yu *(resigned on December 30, 2019)*	300	–	–	–	–	300
Liu Hu *(resigned on November 6, 2019)*	–	–	–	–	–	–
Li Junheng *(appointed on November 6, 2019 and not being re-elected on January 10, 2020)*	–	–	–	–	–	–
Non-executive Directors *(note iv)*						
Li Xin *(appointed on January 9, 2019 and resigned on December 9, 2019)*	–	–	–	–	–	–
Wang Dayong *(resigned on December 9, 2019)*	–	–	–	–	269	269
Independent Non-executive Directors *(note v)*						
Anthony Espina	240	–	–	–	–	240
Wang Jun Sheng	240	–	–	–	–	240
Jin Xin *(resigned on December 9, 2019)*	240	–	–	–	–	240
	7,020	–	–	17	419	7,456

11. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY *(CONTINUED)*

(a) Directors' remuneration is disclosed as follows: *(continued)*

	For the year ended December 31, 2018					
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Discretionary Bonus HK$'000	Contributions to retirement scheme HK$'000	Equity settled share-based payment expenses HK$'000	Total HK$'000
Executive Directors *(note iii)*						
Cheung Kwan *(Chairlady)*	6,000	–	–	18	7,332	13,350
Liu Hu	800	–	–	18	512	1,330
Sun Yu *(appointed on December 18, 2018)*	–	–	–	–	–	–
Wei Jiafu *(resigned on March 29, 2018)*	390	–	–	–	–	390
Wong Kwong Sum *(resigned on August 7, 2018)*	360	–	–	11	–	371
Ling Zack Xiange *(appointed on August 8, 2018 and resigned on January 15, 2019)*	255	–	–	–	267	522
Liang Jian *(appointed on November 28, 2018 and resigned on December 18, 2018)*	–	–	–	–	–	–
Non-executive Directors *(note iv)*						
Wong Dayong *(appointed on August 18, 2018)*	–	–	–	–	481	481
Wang Angel Yunxiao *(retired on March 20, 2018)*	–	–	–	–	–	–
Independent Non-executive Directors *(note v)*						
Anthony Espina	240	–	–	–	–	240
Wang Jun Sheng *(appointed on October 16, 2018)*	50	–	–	–	–	50
Jin Xin *(appointed on December 18, 2018)*	9	–	–	–	–	9
Wong Tin Yau, Kelvin *(resigned on February 14, 2018)*	29	–	–	–	–	29
Ho Chun Chung, Patrick *(resigned on October 16, 2018)*	190	–	–	–	–	190
Ge Ming *(resigned on December 18, 2018)*	231	–	–	–	–	231
	8,554	–	–	47	8,592	17,193

Note:

i. As at December 31, 2019 and 2018, share options have been granted and held by the directors under the Company's share option scheme, details please refer to note 28.

ii. No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended December 31, 2019 and 2018.

iii. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

iv. The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

v. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

vi. None of the directors has waived any emoluments for the years ended December 31, 2019 and 2018.

11. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY *(CONTINUED)*

(b) Individuals with highest emoluments

Of the five individuals with the highest paid in the Group, one (2018: two) was director of the Company whose emoluments are disclosed in note 11(a) above. The emoluments of the remaining four (2018: three) individual were as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**4,417**	4,111
Contributions to defined contribution retirement plans	**56**	66
Discretionary bonus	**150**	121
Equity settled share-based payment expenses	**–**	101
	4,623	4,399

Their emoluments were within the following bands:

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

During the years ended December 31, 2019 and 2018, no inducement payment or compensation for loss of office was paid to the five highest paid individuals.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
Cost							
At January 1, 2018	8,237	694	4,229	135	2,330	27,000	42,625
Additions	–	86	24	14	–	–	124
Disposal	–	–	(3)	–	(29)	–	(32)
Acquisition of subsidiaries	203	–	110	–	467	–	780
Exchange adjustments	–	–	(26)	–	(22)	–	(48)
At December 31, 2018 and January 1, 2019	8,440	780	4,334	149	2,746	27,000	43,449
Additions	**–**	**–**	**21**	**6**	**–**	**–**	**27**
Disposal	**–**	**(66)**	**–**	**–**	**–**	**–**	**(66)**
Written off for the year	**(8,440)**	**–**	**(3,720)**	**–**	**–**	**–**	**(12,160)**
Deconsolidation of subsidiaries *(Note 18)*	**–**	**–**	**(364)**	**–**	**(401)**	**–**	**(765)**
Exchange adjustments	**–**	**–**	**(8)**	**–**	**(6)**	**–**	**(14)**
At December 31, 2019	**–**	**714**	**263**	**155**	**2,339**	**27,000**	**30,471**
Accumulated depreciation and impairment							
At January 1, 2018	4,517	266	1,462	41	1,415	4,725	12,426
Charge for the year	2,109	152	654	29	631	2,700	6,275
Eliminated on disposal	–	–	(14)	–	(14)	–	(28)
Exchange adjustments	–	–	(23)	–	(17)	–	(40)
At December 31, 2018 and January 1, 2019	6,626	418	2,079	70	2,015	7,425	18,633
Charge for the year	**1,709**	**145**	**645**	**31**	**400**	**2,700**	**5,630**
Eliminated on disposal	**–**	**(34)**	**–**	**–**	**–**	**–**	**(34)**
Eliminated on written off	**(8,335)**	**–**	**(2,225)**	**–**	**–**	**–**	**(10,560)**
Impairment for the year	**–**	**–**	**65**	**–**	**229**	**–**	**294**
Deconsolidation of subsidiaries *(Note 18)*	**–**	**–**	**(341)**	**–**	**(320)**	**–**	**(661)**
Exchange adjustments	**–**	**–**	**(5)**	**–**	**(6)**	**–**	**(11)**
At December 31, 2019	**–**	**529**	**218**	**101**	**2,318**	**10,125**	**13,291**
Net book values							
At December 31, 2019	**–**	**185**	**45**	**54**	**21**	**16,875**	**17,180**
At December 31, 2018	1,814	362	2,255	79	731	19,575	24,816

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at December 31, 2019, the carrying value of vessel amounting to HK$16,875,000 (2018: Nil) were restricted to be used due to litigation claim described in section "Charge of Assets" under Management Discussion and Analysis. The vessel was subsequently released, unencumbered, back to the Group's ownership and possession on June 4, 2020.

The written off of property, plant and equipment during the year was mainly due to removal of head office of the Group (2018: Nil).

Due to the deconsolidation of the Deconsolidated Subsidiaries, the relevant property, plant and equipment have been deconsolidated during the year ended December 31, 2019.

13. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At January 1, 2019	
Carrying amount recognised at the initial application of HKFRS 16	10,739
For the year ended December 31, 2019	
Additions	4,727
Disposal of subsidiaries	(2,471)
Depreciation charge	(11,083)
Impairment for the year	(1,912)
At December 31, 2019	–
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	5,184
Total cash outflow for leases including short-terms and other leases with lease terms end within 12 months	11,098

The Group has obtained the right to use property as its operation through tenancy agreements. The lease typically run for an initial period of 1 to 2 years from January 1, 2020 and without break-clause for early termination.

14. INTANGIBLE ASSETS

	Type 1 Regulated Activity License HK$'000	Type 4 and Type 9 Regulated Activity License HK$'000	Money Lending License HK$'000	Software Licenses HK$'000	Total HK$'000
Cost					
At January 1, 2018	12,388	5,500	500	–	18,388
Acquisition of subsidiaries	–	–	–	27,000	27,000
At December 31, 2018 and January 1, 2019	**12,388**	**5,500**	**500**	**27,000**	**45,388**
Exchange adjustments	**–**	**–**	**–**	**(334)**	**(334)**
At December 31, 2019	**12,388**	**5,500**	**500**	**26,666**	**45,054**
Accumulated amortisation and impairment					
At January 1, 2018, December 31, 2018 and January 1, 2019	–	–	–	–	–
Amortised for the year	**–**	**–**	**–**	**5,411**	**5,411**
Impairment loss for the year	**12,388**	**5,500**	**500**	**10,293**	**28,681**
Exchange adjustments	**–**	**–**	**–**	**(226)**	**(226)**
At December 31, 2019	**12,388**	**5,500**	**500**	**15,478**	**33,866**
Carrying values					
At December 31, 2019	**–**	**–**	**–**	**11,188**	**11,188**
At December 31, 2018	12,388	5,500	500	27,000	45,388

The regulated activities licenses and software licenses acquired in business combinations were recognised at fair value at the acquisition date for securities brokerage and asset management business and trading of security products and provision of security services business respectively. The regulated activities licenses have indefinite useful lives and carried at cost less accumulated impairment losses. The software licenses have estimated useful lives of 5 years and carried at cost less accumulated amortisation and impairment loss.

For the purposes of impairment tests, intangible assets have been allocated to the following cash generating units ("CGUs"). The carrying amount of intangible assets as at the end of the reporting period is allocated as follows:

	2019 HK$'000	2018 HK$'000
Securities brokerage and assets management business	**–**	17,888
Advancing business	**–**	500
Trading of security products and provision of security services business	**11,188**	27,000
	11,188	45,388

Please refer to note 16 for details of impairment tests.

15. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries represents investments in unlisted shares at cost.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid up/ registered capital	Group's effective interest	Principal activities
Directly held				
Asiagoal Holdings Limited	Hong Kong	HK$1	100%	Investment holdings
AIF Finance Limited	Hong Kong	HK$100,000	100%	Advancing business
A-United Health Medical Company Limited (formerly known as Harmonic Strait Group Limited)	Hong Kong	HK$1	100%	Trading of metals and minerals
Indirectly held				
Cheerful Arts Group Limited	Hong Kong	HK$1	100%	Trading of party products
International Security Net Co., Limited	Hong Kong	HK$10,000	100%	Provision of security services
AIF Securities Limited	Hong Kong	HK$40,000,000	100%	Engaging in the business of a dealer in securities
AIF Asset Management Limited	Hong Kong	HK$3,000,000	100%	Provision of securities advisory and asset management services
滙金協和投資諮詢(深圳)有限公司 Hui Jin Xie He Investment Consultancy (Shenzhen) Company Limited*	PRC	HK$30,000,000	100%	Investment holdings
德威可信(北京)科技有限公司 Dewe Kexin (Beijing) Technology Co., Ltd*	PRC	RMB10,000,000	51%	Trading of security products

* The English name is for identification purpose only.

15. INVESTMENT IN SUBSIDIARIES *(CONTINUED)*

Material partially-owned subsidiary

The following table lists out the information relating to Dewe Kexin (Beijing) Technology Co., Ltd, a subsidiary of the Group in which the Group has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2019	2018
	HK$'000	HK$'000
Non-controlling interests percentage	**49%**	49%
Current assets	**21,938**	28,739
Non-current assets	**16**	6
Current liabilities	**(12,184)**	(21,503)
Non-current liabilities	**–**	–
Net assets	**9,770**	7,242
Carrying amount of non-controlling interests	**4,788**	3,549
Revenue	**79,502**	1,248
Profit/(loss) for the year	**2,690**	(593)
Total comprehensive income/(loss)	**2,528**	(593)
Profit/(loss) allocated to non-controlling interests	**1,318**	(291)
Dividend paid to non-controlling interests	**–**	–
Cash flows generated from/(used in) operating activities	**10,289**	(2,048)
Cash flows used in investing activities	**(13)**	–
Cash flows generated from financing activities	**–**	–

16. GOODWILL

	2019 HK$'000	2018 HK$'000
At the beginning of the year	**43,528**	3,000
Impairment loss for the year	**(43,235)**	–
Exchange adjustments	**196**	–
Acquisition of subsidiaries *(Note 39)*	**–**	40,528
At the end of the year	**489**	43,528

Impairment tests for cash-generating units containing goodwill

For the purposes of impairment tests, goodwill has been allocated to the following cash generating units ("CGUs"). The carrying amount of goodwill as at the end of the reporting period is allocated as follows:

	2019 HK$'000	2018 HK$'000
Securities brokerage and assets management business	**–**	3,000
Trading of security products and provision of security services business	**489**	40,528
	489	43,528

Securities brokerage and assets management business

The intangible assets of securities brokerage and asset management business held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The licenses will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. As at December 31, 2019, the respective recoverable amounts of the CGUs relate to securities brokerage and assets management business, whereby these licenses are allocated to, are determined based on the fair value less cost to disposal using the adjusted net assets value method by asset approach. The fair value measurement of the CGUs are categorised as Level 2 measurement by considering the net value of certain assets of the CGUs and the regulatory license fee.

As at December 31, 2018, the recoverable amount of the CGUs of securities brokerage and assets management business segment has been determined on the fair value less cost of disposal using market based approach. A price-to-book multiple of 2.11 has been adopted in arriving at the fair value of the CGUs. The fair value measurement of the CGUs are at Level 3 of the fair value hierarchy.

16. GOODWILL *(CONTINUED)*

Trading of security products and provision of security services business

As at December 31, 2019 and 2018, the recoverable amounts of the CGUs relate to trading of security products and provision of security services business are determined based on value-in-use approach. The valuation is based on a five-year performance projection and certain key assumptions (updated with latest market data) including growth rates, expected changes to revenue and direct cost and discount rates range from 14% to 33% (2018: 18%) during the projection period which is determined based on a estimated performance, management's expectations and future business plan. The discount rate used reflects specific risks relating to trading of security products and provision of security services respectively.

Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted income and gross profit margin. Such estimation is based on management's expectations and efficiency improvement.

During the year ended December 31, 2019, the Group recognised impairment loss on intangible asset and goodwill of approximately HK$17,888,000 and HK$3,000,000 respectively in relation to the CGUs of securities brokerage and assets management business as the recoverable amount was below the carrying amount. The Group also recognised impairment loss on intangible asset and goodwill of approximately HK$10,293,000 and HK$40,235,000 respectively in relation to the CGUs of trading of security products and provision of security services business as the recoverable amount was below the carrying amount.

There was no impairment on both goodwill and intangible assets of the CGUs of securities brokerage and assets management business and the CGUs of trading of security products and provision of security services business as at December 31, 2018.

The fair value of the CGUs of securities brokerage and asset management business and the CGUs of trading of security products and provision of security services business as at December 31, 2019 have been arrived at on the basis of the valuations carried out by an independent firm of professional valuers with recognised qualifications and experience.

17. INTEREST IN AN ASSOCIATE

The following list contains the associate which is an unlisted corporate entity of which the quoted market price is not available:

Name of associate	Place of incorporation and business	Particulars of issued and paid up capital		Proportion of ownership interest		Principal activity
		2019	2018	**2019**	2018	
Sunrise Insurance Broker Company Limited ("Sunrise Insurance")	PRC	**RMB55,555,500**	RMB55,555,500	**21.6%**	21.6%	Provision of insurance brokerage service

During the year ended December 31, 2018, Sunrise Insurance increased the paid-up capital from RMB50,000,000 to RMB55,555,500. The Group's interest in Sunrise Insurance was diluted from 24% to 21.6% and it recognised a loss on deemed disposal of the associate of HK$5,086,000.

The associate is accounted for using the equity method in the consolidated financial statements.

17. INTEREST IN AN ASSOCIATE *(CONTINUED)*

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2019	2018
	HK$'000	HK$'000
Gross amount of the associate		
Current assets	**54,693**	35,651
Non-current assets	**4,530**	5,510
Current liabilities	**(54,705)**	(53,317)
Equity	**4,518**	(12,156)
Post acquisition result		
Revenue	**385,520**	183,205
Profit/(loss) for the year	**16,706**	(22,281)
Total comprehensive income/(loss)	**16,673**	(23,453)
Reconciled to the Group's interest in the associate		
Gross amounts of the net assets/(liabilities) of the associate	**4,518**	(12,156)
Group's effective interest	**21.6%**	21.6%
Group's share of net assets/(liabilities) of the associate	**976**	(2,626)
Goodwill	**45,385**	44,008
Accumulated impairment	**(45,775)**	–
Carrying amount in the consolidated financial statements	**586**	41,382

18. DECONSOLIDATION OF SUBSIDIARIES

As described in note 2(d) to the consolidated financial statements, the Group deconsolidated the Deconsolidated Subsidiaries from its consolidated financial statements for the financial year ended December 31, 2019.

(a) The following is a list of the subsidiaries which have been deconsolidated from January 1, 2019:

Name	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activities
和協海峽融資擔保有限公司# Harmonic Strait Credit Guarantee Company Limited*	PRC	US$20,000,000	90%	Provision of credit service, conduct investment business and advancing business
深圳瀚宏供應鏈管理有限公司 Shenzhen Hanhong SCM Co., Ltd.*	PRC	RMB10,000,000	90%	Provision of supply chain management service, operating import and export business and trading of metals
深圳薩尼威國際貿易有限公司 Shenzhen Sunnyway International Trading Company Limited*	PRC	RMB25,000,000	90%	Provision of credit service and conduct investment business

This deconsolidated subsidiary is registered as a sino-foreign joint venture limited liability company incorporated in the PRC.

* The English name is for identification purpose only.

18. DECONSOLIDATION OF SUBSIDIARIES *(CONTINUED)*

(b) The net assets of the Deconsolidated Subsidiaries as of January 1, 2019, which is based on their financial information as of December 31, 2018 were set out below respectively:

	Total
	HK$'000
Net assets deconsolidated of:	
Property, plant and equipment	104
Loan receivables	62,929
Trade receivables, prepayments, deposits and other receivables	66,938
Amounts due from the fellow subsidiaries	8,487
Cash and cash equivalent	8,380
Accruals and other payables	(11,492)
Non-controlling interests	(13,170)
	122,176
Loss on deconsolidation of subsidiaries	(120,156)
Translation reserve release upon deconsolidation	(2,020)
	–
Net cash outflow arising on deconsolidation of subsidiaries	
Cash and bank balances disposed of	(8,380)

19. DISPOSAL OF SUBSIDIARIES

(a) Disposal Group 1

In December 2019, the Company entered into sale and purchase agreement with an independent third party ("Purchaser 1") to dispose certain subsidiaries which listed as below. The disposal was completed on December 27, 2019.

List of disposed subsidiaries and its subsidiaries (collectively "Disposal Group 1"):

Name of subsidiary	Place of establishment/ incorporation and operation	Particulars of issued and paid up/ registered capital	Group's effective interest	Principal activities
Gold Classic Group Limited	BVI	USD1	100%	Investment holding
Blooming Charm Company Limited	BVI	USD1	100%	Investment holding
AIF Corporate Management Limited	BVI	USD1	100%	Investment holding
World Paradise Limited	BVI	USD1	100%	Investment holding
Aceland Enterprises Limited	BVI	USD1	100%	Investment holding
Asiaciti Limited	BVI	USD1	100%	Investment holding
AIF Fund Management Holdings Limited	BVI	USD50,000	100%	Investment holding
AIF Television Culture Communication Company Limited	BVI	USD1	100%	Investment holding
China Cloud Copper Company Limited	BVI	USD1	100%	Inactive
重慶富甲天下股權投資基金管理有限公司 Chongqing Fujia Tianxia Equity Investment Fund Management Co., Limited*	PRC	RMB50,000,000	90%	Inactive
江蘇長青寶科技有限公司 Jiangsu Chang Qing Bao Technology Co., Ltd*	PRC	RMB10,000,000	70%	Inactive

* The English name is for identification purpose only.

Details of net assets of Disposal Group 1 at date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Deposits and other receivables, net of impairment	7,721
Cash and cash equivalents	723
Accruals and other payables	(1,878)
	6,566
Gain on disposal of subsidiaries:	
Consideration receivables	6,110
Less:	
Net assets disposed of	6,566
Non-controlling interest	(1,484)
Translation reserve release upon disposal	(72)
Gain on disposal of subsidiaries	1,100
Net cash outflow arising on disposal:	
Cash and bank balances disposal of	(723)

19. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal Group 2

In December 2019, the Company entered into sale and purchase agreement with an independent third party ("Purchaser 2") to dispose certain subsidiaries which listed as below. The disposal was completed on December 27, 2019.

List of disposed subsidiaries and its subsidiaries (collectively "Disposal Group 2"):

Name of subsidiary	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activities
Hycolon Limited	Hong Kong	HK$1	100%	Inactive
AIF Energy and Resources Investments Limited	Hong Kong	HK$1	100%	Investment holding
AIF Healthtech Limited	Hong Kong	HK$1	100%	Investment holding
AIF Mining Technology Development Limited	Hong Kong	HK$100	100%	Investment holding
Asia Investment Finance Limited	Hong Kong	HK$1	100%	Inactive

Details of net assets of Disposal Group 2 at date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Right-of-use assets	2,471
Deposits and other receivables, net of impairment	664
Cash and cash equivalents	118
Lease liabilities	(4,338)
Accruals and other payables	(310)
	(1,395)
Gain on disposal of subsidiaries:	
Consideration receivables	118
Less:	
Net liabilities disposed of	(1,395)
Translation reserve release upon disposal	(3)
Gain on disposal of subsidiaries	1,516
Net cash outflow arising on disposal:	
Cash and bank balances disposal of	(118)
Total gain on disposal of Disposal Group 1 and Disposal Group 2	2,616

20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2019 **HK$'000**	2018 HK$'000
Raw materials	–	1,277
Work-in-progress	–	967
Finished goods	–	1,542
	–	3,786

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	2019 **HK$'000**	2018 HK$'000
Carrying amount of inventories sold	**105,104**	50,422

21. TRADING SECURITIES

	2019 **HK$'000**	2018 HK$'000
Trading securities		
— Equity shares listed in Hong Kong	**114**	1,201

The trading securities are initially recognised at fair value. The Group holds the trading securities for trading purpose. At the end of reporting period the fair value is re-measured, with any resultant gain or loss being recognised in profit or loss. The fair value is measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

22. LOAN RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Loan receivables from advancing business	**122,555**	189,893
Less: Impairment	**(122,555)**	(15,836)
	–	174,057
Representing:		
Current portion	–	111,128
Non-current portion	–	62,929
	–	174,057

22. LOAN RECEIVABLES *(CONTINUED)*

(a) At December 31, 2019, loan receivables bear interest at rates ranged from 5% to 17% per annum (2018: 5% to 17%), and with repayment terms, mutually agreed between the contracting parties. At December 31, 2019, the Group lent the loans to independent customers in total of HK$122,555,000 (2018: HK$189,893,000), of which HK$17,245,000 (2018: HK$12,000,000) was secured by a personal guarantee of a customer and HK$99,128,000 (2018: HK$99,128,000) was secured by unlisted equity shares of some PRC companies.

(b) **The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:**

	2019	2018
	HK$'000	HK$'000
Repayable:		
Within 1 year	**–**	111,128
1 to 3 years	**–**	62,929
	–	174,057

(c) Due to the deconsolidation of the Deconsolidated Subsidiaries, the relevant loan receivables have been deconsolidated during the year ended December 31, 2019.

23. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables arising from dealing in securities:		
— Clients arising from dealing in securities	**2,788**	3,659
— Clearing house	**–**	588
	2,788	4,247
Interest receivables arising from advancing business	**12,387**	1,056
Trade receivables arising from credit guarantee service and investment income	**–**	1,123
Trade receivables arising from trading of party products	**9,303**	8,944
Trade receivables arising from trading of security products	**5,449**	1,257
Trade receivables arising from provision of security services	**7,834**	4,575
	37,761	21,202
Less: Impairment	**(19,107)**	(2,017)
	18,654	19,185

Customers from trading of party products, provision of security services are usually offered a credit period of up to 90 days. Customers from trading of security products are due immediately when goods are delivered. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

23. TRADE RECEIVABLES *(CONTINUED)*

(a) An ageing analysis of trade receivables based on the date of the invoice and net of provision of impairment loss is as follows:

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**5,265**	10,970
31 to 60 days	**5,294**	1,786
61 to 90 days	**4,056**	3,576
Over 90 days	**4,039**	2,853
	18,654	19,185
Trade receivables from dealing in securities not past due	**(40)**	(4,247)
	18,614	14,938

(b) Due to the deconsolidation of the Deconsolidated Subsidiaries, the relevant trade receivables have been deconsolidated during the year ended December 31, 2019.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade deposits and other receivables	**56,569**	155,942
Prepayments and other deposits	**6,808**	23,314
	63,377	179,256
Less: Impairment	**(36,400)**	(42,419)
	26,977	136,837
Representing:		
Current-portion	**26,577**	136,437
Non-current portion	**400**	400
	26,977	136,837

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK$400,000 (2018: HK$400,000). The remaining amount are expected to be recovered or recognised as expense within one year.

(a) As at December 31, 2019, total impairment loss for prepayment, deposits and other receivables was approximately HK$36,400,000, of which approximately HK$25,220,000 (2018: HK$42,419,000) related to impairment of other receivables, approximately HK$11,180,000 (2018: Nil) mainly related to impairment of trade deposits paid in previous year due to uncertainty in future prospects of trading of metals and minerals business.

During the year ended December 31, 2019, the impairment of deposits amounting HK$12,780,000 (2018: Nil), of which HK$1,600,000 was written off in the same year. For details of impairment of other receivables, please refer to note 44(a).

(b) Due to the deconsolidation of the Deconsolidated Subsidiaries, the relevant prepayments, deposits and other receivables have been deconsolidated during the year ended December 31, 2019.

25. CLIENT TRUST BANK BALANCE

The Group receives and holds monies deposited by clients and other institutions in the course of the conduct of the regulated activities of securities brokerage. These clients' monies are maintained in one trust bank account. The Group has recognised the corresponding trade payables to respective clients (Note 30).

26. CASH AND CASH EQUIVALENTS

	2019 **HK$'000**	2018 HK$'000
Cash and bank balances	**13,525**	22,910
Cash and cash equivalents in the statement of cash flows	**13,525**	22,910

Cash and cash equivalents include short-term bank deposit, carrying interest at prevailing market rates.

27. SHARE CAPITAL

	Number of shares '000	**Amount** HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At January 1, 2018, December 31, 2018 and January 1, 2019	100,000,000	10,000,000
Capital Reorganisation *(Note (c))*	9,900,000,000	–
Ordinary shares of HK$0.001 each		
At December 31, 2019	10,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At January 1, 2018, December 31, 2018 and January 1, 2019	9,327,172	932,717
Issue of new shares	50,800	5,080
Capital Reorganisation *(Note (c))*	(8,440,175)	(936,859)
Ordinary shares of HK$0.001 each		
At December 31, 2019	937,797	938

(a) In the Extraordinary General Meeting held on July 7, 2020, the Shareholders of the Company have approved the grant of the general mandate to the Directors to allot, issue and deal with new shares up to 223,852,128 shares, representing 20% of the aggregate number of the issued shares of the Company as at the date of the meeting, i.e., 1,119,260,640 shares. Details are set out in the Company's circular dated June 15, 2020.

(b) The Company has a share option scheme, under which the Company may grant options to any employee or director to subscribe for shares of the Company, up to a maximum of 10% of the issued share capital of the Company (absolute maximum number of share option: 93,779,720 (2018: 932,717,200). No share options were granted during the year (2018: 981,000,000) and there were 83,600,000 outstanding share options as at December 31, 2019 (2018: 876,000,000).

27. SHARE CAPITAL *(CONTINUED)*

(c) The Capital Reorganisation was approved by the Company's shareholders at an extraordinary general meeting of the Company on May 23, 2019 and completed on July 24, 2019. The number of authorised share capital of the Company was increased from 100,000 million shares to 10,000,000 million consolidated shares and its authorised capital of HK$10,000 million remained unchanged on the completion date of the Capital Reorganisation. The Company's issued share capital was reduced from HK$937,797,200 divided into 9,377,972,000 shares to HK$937,797 divided into 937,797,200 consolidated shares on the completion date of the Capital Reorganisation.

The Capital Reorganisation comprises following:

(i) the par value of each issued ordinary share of the Company of HK$0.1 would be reduced to HK$0.0001 by cancelling the paid-up share capital to the extent of HK$0.0999 on each issued share (the "Capital Reduction");

(ii) immediately after the Capital Reduction becomes effective, each authorised but unissued share will be sub-divided into 1,000 new ordinary shares of the Company of HK$0.0001 each ("New Shares") (the "Sub-division"); and

(iii) immediately after the Capital Reduction and Sub-division become effective, the New Shares would be consolidated on the basis that every 10 issued and unissued New Shares of HK$0.0001 each will be consolidated into one new ordinary shares of the Company of HK$0.001 each ("Consolidated Share").

A credit of approximately HK$936,859,000 arising from the Capital Reduction was transferred to the share premium account of the Company. Details are set out in the Company's circular dated April 26, 2019 and its announcements dated April 4, 2019, May 23, 2019, July 8, 2019 and July 24, 2019.

(d) On March 18, 2019, the Company and four subscribers entered into the subscription agreements to issue a total of 300,000,000 new shares of HK$0.1 each. Subsequently, the Company entered into a termination agreement with one of the four subscribers to terminate issuance of 100,000,000 shares of HK$0.1 each with immediate effect on July 15, 2019. On the same date, the Company entered into supplemental agreements with each of remaining three subscribers to reduce issuance of shares from 200,000,000 shares to 50,800,000 shares. On July 22, 2019, 50,800,000 shares of HK$0.1 each were allotted and issued to the three subscribers, giving rise to a gross proceeds of approximately HK$5,080,000. Details are set out in the Company's announcements dated March 18, 2019, July 15, 2019, July 17, 2019 and July 22, 2019.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS

At the annual general meeting of the Company held on June 26, 2017, the shareholders of the Company approved the adoption of a new share option scheme (the "Share Option Scheme") which took effect from June 26, 2017 (the "Commencement Date"). The purpose of the Share Option Scheme is to provide incentives or rewards to participants (the "Participants") of the Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Participants (as defined in the Share Option Scheme) include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any distributor, contractor, business partner, promoter, service provider, customer, supplier, consultant, agent and adviser or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from June 26, 2017. The existing scheme mandate limit in respect of the granting of options to subscribe for shares under the Share Option Scheme was refreshed and renewed at the annual general meeting of the Company held on June 18, 2019. The maximum number of the ordinary shares (the "Shares") of the Company upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% (i.e. 93,779,720 shares (2018: 932,717,200 shares)) of the ordinary shares of the Company in issue. Save as disclosed above, the other principal terms of the Share Option Scheme are as follows:

(i) The overall maximum number of Shares which may be issued upon the exercise of all outstanding options grants and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time.

(ii) The total number of Shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the Directors, but shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (c) the nominal value of the Share.

(iv) An option may be accepted by an eligible participant for a period of 21 days from the date upon which the offer of the grant of option is made. A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an option.

The total number of Shares available for issue under the Share Option Scheme was 10,179,720 as at December 31, 2019, representing 1.1% of the issued Shares (937,797,200 Shares) of the Company as at December 31, 2019.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

Details of the share options granted and summary of movements of the outstanding share options for the year ended December 31, 2019 under the Share Option Scheme are as follows:

					Number of share options					
	Date of grant	Exercise price HK$	Note	Exercisable period	Outstanding as at January 1, 2019	Lapsed before capital reorganisation	Outstanding share options immediately before capital reorganisation	Effect on capital reorganisation	Adjusted outstanding share options after capital reorganisation (note (vii))	Outstanding as at December 31, 2019
Executive Directors										
Cheung Kwan (Removed on December 19, 2019)	July 27, 2017	0.15	(i)	From July 27, 2017 to July 26, 2020	250,000,000	–	250,000,000	(225,000,000)	25,000,000	25,000,000
Liu Hu (Resigned on November 6, 2019)	November 29, 2017	0.15	(iv)	From November 29, 2017 to November 28, 2020	50,000,000	–	50,000,000	(45,000,000)	5,000,000	5,000,000
Ling Zack Xiange (Resigned on January 15, 2019)	September 7, 2018	0.15	(v)	From September 7, 2018 to September 6, 2021	50,000,000	(40,000,000)	10,000,000	(9,000,000)	1,000,000	1,000,000
Non-executive Directors										
Wang Dayong (Resigned on December 9, 2019)	September 7, 2018	0.15	(v)	From September 7, 2018 to September 6, 2021	90,000,000	–	90,000,000	(81,000,000)	9,000,000	9,000,000
Independent Non-executive Directors										
Anthony Espina	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	9,000,000	–	9,000,000	(8,100,000)	900,000	900,000
Employees	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	14,000,000	–	14,000,000	(12,600,000)	1,400,000	1,400,000
	November 29, 2017	0.15	(iv)	From November 29, 2017 to November 28, 2020	70,000,000	–	70,000,000	(63,000,000)	7,000,000	7,000,000
	September 7, 2018	0.15	(v)	From September 7, 2018 to September 6, 2021	141,000,000	–	141,000,000	(126,900,000)	14,100,000	14,100,000
Consultants	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	40,000,000	–	40,000,000	(36,000,000)	4,000,000	4,000,000
	July 27, 2017	0.15	(iii)	From July 27, 2017 to July 26, 2020	153,000,000	–	153,000,000	(137,700,000)	15,300,000	15,300,000
Others	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	9,000,000	–	9,000,000	(8,100,000)	900,000	900,000
					876,000,000	(40,000,000)	836,000,000	(752,400,000)	83,600,000	83,600,000

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

Notes:

(i) Share options were conditionally granted and vested subject to the approval of the shareholders of the Company, and such approval was obtained on March 20, 2018.

(ii) Share options were vested immediately on the date of the options granted.

(iii) Each of the one third of the share options will be vested on the date of the options granted, January 1, 2018 and January 1, 2019 respectively. The exercise period is from the effective vested dates to July 26, 2020.

(iv) 50% of the share options were vested immediately on the date of the options granted and the remaining 50% of the share options will be vested on November 29, 2018. The exercise period is from the effective vested dates to November 28, 2020.

(v) Each of the one third of the share options will be vested on the date of the options granted, January 1, 2020 and January 1, 2021 respectively. The exercise period is from the effective vested dates to September 6, 2021.

(vi) As at December 31, 2019, 83,600,000 (2018: 876,000,000) share options were outstanding, out of which 68,200,000 (2018: 637,667,000) share options are exercisable.

(vii) The share options outstanding at December 31, 2019 had an adjusted exercise price of HK$1.50 (2018: HK$0.15) and a weighted average remaining contractual life of 0.94 years (2018: 1.97 years).

(a) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Date of grant	March 20, 2018	September 7, 2018
Fair value at measurement date	HK$0.029	HK$0.012
Share price	HK$0.12	HK$0.06
Exercise price	HK$0.15	HK$0.15
Expected volatility	63.21%	63.69%
Option life	2.35 years	3 years
Expected dividend	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.43%	2.12%

The expected volatility is based on the historic volatility. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(b) No share option granted during the year. The Group recognised total expense of HK$1,060,000 during the year ended December 31, 2019 (2018: HK$15,148,000) in relation to share options granted by the company.

29. RESERVES

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible bond reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At January 1, 2018	3,058,278	31,971	12,663	8,486	(3,697,874)	(586,476)
Repurchase of shares	–	–	24,400	–	–	24,400
Grant of share options	–	–	–	15,148	–	15,148
Lapsed of share options	–	–	–	(8,944)	8,944	–
Total comprehensive loss for the year	–	–	–	–	(128,760)	(128,760)
At December 31, 2018 and January 1, 2019	**3,058,278**	**31,971**	**37,063**	**14,690**	**(3,817,690)**	**(675,688)**
Convertible bonds restructure	**–**	**–**	**(11,170)**	**–**	**11,114**	**(56)**
Equity settled share-based payment	**–**	**–**	**–**	**1,060**	**–**	**1,060**
Capital reorganisation	**936,859**	**–**	**–**	**–**	**–**	**936,859**
Lapsed of share options	**–**	**–**	**–**	**(180)**	**180**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(412,691)**	**(412,691)**
At December 31, 2019	**3,995,137**	**31,971**	**25,893**	**15,570**	**(4,219,087)**	**(150,516)**

(i) Share premium

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

(ii) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.

29. RESERVES *(CONTINUED)*

The Company *(continued)*

(iii) Capital reserve

Capital reserve of the Group represents the difference between the nominal values of the ordinary shares issued by the Company and the share capital of Silver Pattern Limited acquired through the share swap pursuant to the reorganisation of the Group for the listing of the Company's shares (the "Reorganisation") in 2017.

(iv) Contributed surplus

Contributed surplus represents the excess of the fair value of the shares of Silver Pattern Limited determined on the basis of the consolidated net assets of Silver Pattern Limited at the due of the Reorganisation over the normal value of the shares issued by the Company in exchange thereof.

(v) Convertible bond reserve

The convertible bond reserve represents the unexercised equity component of the convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible bond.

(vi) Statutory reserve

The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to equity holders. The percentages to be appropriated to such statutory reserve are determined according to relevant regulations in the PRC. Enterprises in Mainland China are required to transfer at least 10% of their profit after taxation to the statutory surplus reserve until the balance of the reserve is equal to 50% of their registered capital.

(vii) Distributability of reserves

At December 31, 2019 and 2018, no reserves were available for distribution to equity shareholders of the Company.

(viii) Share option reserve

The share option reserve represents the recognition of the value of equity settled share-based payments provided to non-employee and employees, including key management personnel, as part of the remuneration. Please refer to note 28 for further details.

30. TRADE PAYABLES

	2019	2018
	HK$'000	HK$'000
Trade payables arising from dealing in securities:		
— Clients arising from dealing in securities	**–**	587
— Clearing house	**–**	476
— Clients' money	**1,924**	3,229
	1,924	4,292
Trade payables arising from trading of security products	**3,044**	–
Trade payables arising from trading of party products	**2,796**	2,191
	7,764	6,483

The ageing analysis of trade payables arising from trading of security products and trading of party products is as follows:

	2019	2018
	HK$'000	HK$'000
0 to 30 days	**2,796**	1,168
31 to 60 days	**–**	530
61 to 90 days	**–**	268
Over 90 days	**3,044**	225
	5,840	2,191

The trade payables arising from trading of security products and trading of party products are non-interest bearing and are normally settled within 90 days. The carrying amounts of the trade payables at the end of the reporting period approximated their fair values.

31. ACCRUALS AND OTHER PAYABLES

	Note	**2019** **HK$'000**	2018 HK$'000
Accrued salaries and bonus	(b)	**5,491**	6,706
Contract liabilities	(a)	**–**	15,779
Deposits received		**1,782**	398
Other accrued expenses and other payables	(c)	**36,031**	34,389
		43,304	57,272

The carrying amounts of accruals and other payables at the end of the reporting period approximated their fair values. All of the accrued expenses and other payables are expected to be settled or recognised as income within one year.

Note:

(a) Movements in contract liabilities

	2019 **HK$'000**
At January 1, 2019	**15,779**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(15,779)**
At December 31, 2019	**–**

The typical payment terms which impact on the amount of contract liability recognised in above:

Sales of security product

The Group receives a deposit before delivery of goods, this will give rise to contract liabilities at the time of deposit received, until the control of the goods has transferred to the customer, being at the point the goods are delivered to the customers.

(b) As at December 31, 2019, accrued salaries and bonuses amounted to approximately HK$2,838,000 (2018: HK$548,000) was payable to existing and former directors (including both executive and independent non-executive directors).

(c) As at December 31, 2019, included in the amount of other accrued expenses and other payables, an amount of HK$3,200,000 (2018: HK$3,200,000) represents the advance from Mr. Wang Dayong, a former non-executive director of the Company which was unsecured, interest-free and repayable on demand; an amount of RMB1,000,000 (equivalent to HK$1,119,000) (2018: Nil) represents the advance from a non-controlling shareholder of a subsidiary of the Company which was unsecured, interest-free and repayable on demand; an amount of accrued expenses of approximately HK$17,285,000 (2018: HK$10,598,000), including but not limited to accrued legal and professional expenses, accrued audit fee, accrued valuation fee, vessel related expenses, rental related expenses and other operating expenses; an amount of HK$1,231,000 (2018: HK$2,603,000) represents margin payable to securities brokers.

32. CONTINGENT CONSIDERATION RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Contingent consideration receivables	**60,340**	5,830
Representing:		
Current portion	**26,110**	–
Non-current portion	**34,230**	5,830
	60,340	5,830

Contingent consideration receivables represent the Guarantee Profit of the Acquired Group for the Relevant Years given by the Vendors to the Group in relation to the acquisition of Acquired Group, details are set out in note 39. The fair value of contingent consideration receivables at December 31, 2019 was determined based on valuation performed by an independent firm of professional valuers with recognised qualifications and experiences using the expected return method including the financial performance and forecast net profit after tax of trading of security products and provision of security services segment for the years ended December 31, 2019 and 2020 respectively.

For termination of the Guarantee Profit in June 2020, please refer to note 46(b) for details.

33. PROVISIONS

	2019	2018
	HK$'000	HK$'000
Provision for litigation claim		
At January 1, 2019	**–**	–
Provision made	**6,580**	–
At December 31, 2019	**6,580**	–
Representing:		
Current portion	**6,580**	–
Non-current portion	**–**	–
	6,580	–

As described in section "Charge of Assets" under Management Discussion and Analysis, provision was made by the Group for the best estimate of the expected legal claim for the vessel with the carrying amount of HK$16,875,000 as at December 31, 2019. The amount of provision takes into account the outstanding fees and expenses claimed by Market Speed Limited and Li Yee Man Anly (trading as Ming Fai Marine Service) which was subsequently settled in May 2020. The vessel was released, unencumbered, back to the Group's ownership and possession on June 4, 2020.

34. LEASE LIABILITIES

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

	December 31, 2019		January 1, 2019	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**5,976**	**5,998**	9,145	9,600
After 1 year but within 2 years	**–**	**–**	1,594	1,600
	5,976	**5,998**	10,739	11,200
Less: Total future interest expenses		**(22)**		(461)
Present value of lease liabilities		**5,976**		10,739

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17.

35. OTHER LOAN

At December 31, 2019, the Group bears other loan amounting HK$13,000,000 (2018: HK$13,000,000), which was overdue and unsecured with fixed interest rate of 5% per annum, and outstanding interests amounting HK$986,000 (2018: HK$187,000), which was included in accrued expenses. At the date of this report, the outstanding loan principal amount and outstanding interest would be HK$13,000,000 and HK$1,323,000 respectively.

36. DEFERRED TAX LIABILITIES

Deferred tax liabilities recognised:

The component of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Intangible assets HK$'000
At January 1, 2018	–
Acquisition of subsidiaries	6,750
At December 31, 2018	6,750
Credited to profit or loss	(3,926)
Exchange adjustments	(27)
At December 31, 2019	2,797

Deferred tax assets have not been recognised in respect of the tax losses of HK$296,776,000 (2018: HK$157,097,000) as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the near future.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$9,871,000 (2018: HK$7,181,000) 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.

37. CONVERTIBLE BONDS

		2019			2018		
	Note	**Liability portion HK$'000**	**Equity portion HK$'000**	**Total HK$'000**	Liability portion HK$'000	Equity portion HK$'000	Total HK$'000
2019 Convertible Bonds	(a)	**–**	**–**	**–**	99,095	12,663	111,758
2020 Convertible Bonds	(a)	**108,601**	**1,493**	**110,094**	–	–	–
2021 Convertible Bonds	(b)	**52,890**	**24,400**	**77,290**	45,600	24,400	70,000
At December 31		**161,491**	**25,893**	**187,384**	144,695	37,063	181,758
Representing:							
Current liabilities		**108,601**	**–**	**108,601**	99,095	–	99,095
Non-current liabilities		**52,890**	**–**	**52,890**	45,600	–	45,600
Convertible bonds reserve		**–**	**25,893**	**25,893**	–	37,063	37,063

(a) On January 10, 2018, the Company and Internet Finance Investment Co. Ltd. (the "Original Bondholder"), a company wholly owned by Ms. Cheung Kwan, a former-executive Director and the former-chairlady of the Board entered into a deed of variation for the extension of the maturity date of the convertible bonds in the principal amount of HK$100,000,000 for one year to February 18, 2019 (the "Extended Maturity Date"). Save as disclosed above, other terms and conditions of the convertible bonds remain unchanged. The Extended Maturity Date of the 2019 Convertible Bonds was approved by the shareholders at the Company's extraordinary general meeting on March 20, 2018 and took effect on March 29, 2018. The amendment of terms of the convertible bonds resulting from the Extended Maturity Date (the "2019 Convertible Bonds") was not considered to be substantial modified. The Group recognised a gain on convertible bonds restructure of HK$6,542,000 in other revenue and other net gain/(loss) during the year ended December 31, 2018. The effective interest rate of the liability component of the 2019 Convertible Bonds was 7% per annum.

On February 18, 2019, the Company and the Original Bondholder, entered into a deed of variation, pursuant to which the parties agreed that, subject to fulfilment of the conditions precedent, the terms of 2019 Convertible Bonds would be amended as follows:

(i) the maturity date to be extended from February 18, 2019 to February 18, 2020;

(ii) the 2019 Convertible Bonds would bear interest at the rate of 5% per annum commencing from February 18, 2019 (originally zero coupon); and

(iii) the principal amount of 2019 Convertible Bonds would increase from HK$100,000,000 to HK$105,000,000 and the Company would issue additional convertible bonds in the principal amount of HK$5,000,000 to the Original Bondholder free of payment.

37. CONVERTIBLE BONDS *(CONTINUED)*

(a) *(continued)*

Save as disclosed above, all the remaining terms and conditions of the 2019 Convertible Bonds remain unchanged. The above amendments (the "Convertible Bonds Restructure") was approved by the shareholders at the Company's extraordinary general meeting on June 18, 2019 and completed on June 25, 2019. Details of the Convertible Bonds Restructure are set out in the Company's circular to shareholders dated May 20, 2019 and announcements dated February 18, 2019, June 18, 2019 and June 25, 2019.

The Convertible Bonds Restructure was considered to be substantial modification of terms and conditions of the 2019 Convertible Bonds. Accordingly, the 2019 Convertible Bonds have been accounted for as extinguishment and the convertible bonds resulting from the Convertible Bonds Restructure (the "2020 Convertible Bonds") have been recognised upon the completion of the Convertible Bonds Restructure on June 25, 2019.

The Group recognised a loss of the Convertible Bonds Restructure of HK$1,693,000 and transferred the equity component of the 2019 Convertible Bonds to accumulated losses of HK$11,114,000 during the year. The Group recognised the transaction costs for the Convertible Bonds Restructure of HK$499,000 during the year. The Group recognised the liability component and derivatives of the 2020 Convertible Bonds on June 25, 2019 which were determined based on the valuations performed by an independent firm of professional valuers with recognised qualifications and experiences using discounted cash flow model at an equivalent market interest rate for a similar bond without a conversion option and Binomial option pricing model, respectively. The effective interest rate of the liability component is 11% per annum. The derivatives of the 2020 Convertible Bonds include Early Redemption Option and Mandatory Conversion Option, both options are interdependent.

The Early Redemption Option and Mandatory Conversion Option represent the Company shall redeem the Outstanding Convertible Bonds then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date. The Company shall be entitled to early redeem any part of the outstanding convertible bonds at any time prior to the maturity date at 103% of the principal amount. The Company shall be entitled to give notice to the bondholders at any time within 5 business days prior to the maturity date to require mandatory conversion of all outstanding convertible bonds.

The conversion price of 2020 Convertible Bonds was adjusted from HK$0.1 per Share to HK$1.0 per Consolidated Share with effect from July 24, 2019. The maximum number of Shares that will be issued upon conversion of all the outstanding 2020 Convertible Bonds at the adjusted conversion price of HK$1.00 is 105,000,000 Shares. Details of the adjustments of the conversion price of the 2020 Convertible Bonds are set out in the Company's announcement on July 24, 2019.

On November 6, 2019, the 2020 Convertible Bonds with the principal amount of HK$100,000,000 was transferred to Neo Tech. Inc. (the "New Bondholder") whereas Mr. Ng Yu, the chairman, executive director and the substantial shareholder of the Company, is the beneficial owner.

37. CONVERTIBLE BONDS *(CONTINUED)*

(a) *(continued)*

On March 25, 2020, the New Bondholder made an irrevocable undertaking that it will enter into an amendment deed to extend the maturity date of the 2020 Convertible Bonds with principal amount of HK$100,000,000 from February 18, 2020 to February 18, 2022, subject to approval from independent shareholders of the Company and the Stock Exchange of Hong Kong Limited. The New Bondholder represented that it will not make any claims against the Company on the overdue of the convertible bonds.

The 2019 Convertible Bonds	**Liability Portion HK$'000**	**Equity Portion HK$'000**	**Derivative Financial Assets HK$'000**	**Total HK$'000**
At December 31, 2018 and January 1, 2019	**99,095**	**12,663**	**–**	**111,758**
Interest charged to consolidated statement of profit or loss	**905**	**–**	**–**	**905**
Extinguishment upon completion of the convertible Bonds Restructure	**(100,000)**	**(12,663)**	**–**	**(112,663)**
At December 31, 2019	**–**	**–**	**–**	**–**

The 2020 Convertible Bonds	**Liability Portion HK$'000**	**Equity Portion HK$'000**	**Derivative Financial Assets HK$'000**	**Total HK$'000**
At June 25, 2019	**102,796**	**1,493**	**(1,546)**	**102,743**
Interest charged to consolidated statement of profit or loss	**5,805**	**–**	**–**	**5,805**
Fair value change	**–**	**–**	**1,546**	**1,546**
At December 31, 2019	**108,601**	**1,493**	**–**	**110,094**

37. CONVERTIBLE BONDS *(CONTINUED)*

(a) *(continued)*

Notes:

As at June 25, 2019 and December 31, 2019, the following assumptions are used to calculate the fair values of the derivatives of the 2020 Convertible Bonds based on a valuation performed by an independent firm of professional valuers with recognised qualifications and experiences using the Binominal option pricing model method. The fair value measurement of the derivatives of the 2020 Convertible Bonds are at Level 3 of the fair value hierarchy.

	At June 25, 2019	**At December 31, 2019**
Share price (HK$)	0.037	0.116
Conversion price (HK$)	0.10	1.00
Expected remaining life of the convertible bonds (years)	0.65	0.13
Expected volatility (%)	88.16	65.69
Risk free rate (%)	1.75	2.53
Expected dividend yield (%)	0	0

The fair value measurement is positively correlated to the expected volatility. As at December 31, 2019, it is estimated that all other variables held constant, an increase/decrease in the expected volatility by 1% would not affect the Group's loss.

(b) On December 17, 2018, the Company issued convertible bonds in the principal amount of HK$70 million ("the 2021 Convertible Bonds") as consideration for the acquisition of two subsidiaries (the "Acquired Group"), details of the acquisition of the subsidiaries are set out in note 39. The 2021 Convertible Bonds include three tranches of principal amount of HK$8.75 million, HK$26.25 million and HK$35 million respectively which are convertible from the date of settlement of the Compensation for each of the years ended/ending December 31, 2018, 2019 and 2020 ("the Relevant Years") (details refer to the following paragraph) until maturity date. The vendors of the Acquired Group ("the Vendors") guaranteed that the combined audited consolidated profit after tax (excluding extraordinary and exceptional items) (the "Guarantee Profit") of the Acquired Group under the HKFRSs (the "Net Profit of Each of the Relevant Years") shall be not less than HK$10 million, HK$30 million and HK$40 million for each of the three years ended/ending December 31, 2018, 2019 and 2020 respectively (the "Guarantee Profit of Each of the Relevant Years"), failing which the Vendors shall pay the compensation (the "Compensation") to the Group to be calculated as follows:

The Consideration x (the Guaranteed Profit of the Each of the Relevant Years – the Net Profit of Each of the Relevant Years)/the Total Guaranteed Profit of the Relevant Years

37. CONVERTIBLE BONDS *(CONTINUED)*

(b) *(continued)*

The Vendors and the Group shall procure the auditor nominated by the Group to complete the audited financial statements of the Acquired Group for each of the year ended/ending December 31, 2018, 2019 and 2020 within 3 months after the end of the Relevant Years or any other date as agreed between the Vendors and the Group. The Compensation (if any) shall be paid by the Vendors to the Group within 7 business days after determination of the Net Profit of Each of the Relevant Years. The Vendors shall be entitled to elect to pay the Compensation in cash or by way of set off against an equivalent principal amount of the convertible bonds. Based on the audited financial statements of the Acquired Group issued on August 27, 2019, the combined audited consolidated profit after tax (excluding extraordinary items and exceptional items) of the Acquired Group under HKFRSs for the year ended December 31, 2018 was approximately HK$11 million which was not less the Guaranteed Profit for the year ended December 31, 2018 of HK$10 million. Accordingly, no Compensation was required to be paid by the Vendors to the Group in relation to the Guarantee Profit for the year ended December 31, 2018.

The 2021 Convertible Bonds do not bear interest and will be mature on the third anniversary of the date of issue with conversion price of HK$0.1 per share. At the date of issue of the 2021 Convertible Bonds, the fair value of the liability component of the 2021 Convertible Bonds were determined based on a valuation performed by an independent valuer using discounted cash flow model at an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the liability component is 15.34% per annum.

The conversion price of 2021 Convertible Bonds was adjusted from HK$0.1 per Share to HK$1.0 per Consolidated Share with effect from July 24, 2019. The maximum number of Shares that will be issued upon conversion of all the outstanding 2021 Convertible Bonds at the adjusted conversion price of HK$1.00 is 70,000,000 Shares. Details of the adjustments of the conversion price of the 2021 Convertible Bonds are set out in the Company's announcement on July 24, 2019.

On June 30, 2020, the Vendors and the Group entered into a supplemental deed (the "Deed"), pursuant to which it was mutually agreed that profit guarantee for the years ended December 31, 2019 and 2020 was unfulfilled and terminated respectively. The Vendors agreed to surrender the corresponding convertible bonds in the principal amount of HK$26,500,000 and HK$35,000,000 respectively to the Company for cancellation. For details, please refer to note 46(b).

The 2021 Convertible Bonds	**Liability Portion** HK$'000
At December 31, 2018 and January 1, 2019	45,600
Interest charged to consolidated statement of profit or loss	7,290
At December 31, 2019	52,890

No new shares of the Company were issued upon exercise of the 2019 Convertible Bonds, 2020 Convertible Bonds and 2021 Convertible Bonds during the year ended December 31, 2019.

38. AMOUNT DUE TO A DECONSOLIDATED SUBSIDIARY

At December 31, 2019, the balance of approximately HK$8,467,000 (2018: Nil) was an amount due to a deconsolidated subsidiary, which is unsecured, interest free and repayable on demand.

39. BUSINESS COMBINATION

On December 5, 2018, the Group and two independent third parties (the "Vendors") entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and the Vendors agreed to dispose of 100% equity interest in International Security Net Co., Limited ("International Security Net") and 51% equity interest in Dewe Kexin (Beijing) Technology Co., Ltd. ("Dewe Kexin") (collectively the "Acquired Group") at a total consideration of HK$70 million which was satisfied by convertible bonds of principal amount of HK$70 million (the "Consideration").

International Security Net is a limited company incorporated in Hong Kong and engaged in integrated security service solution for protection of assets and personnel and its principal activities include public safety consulting services; overseas on-site public safety management services; public safety training service and public safety technology guarantee service. Dewe Kexin is a limited company incorporated in the PRC and is a network security high-tech company.

The convertible bonds include three tranches of principal amount of HK$8.75 million, HK$26.25 million and HK$35 million respectively which shall become convertible from the date of settlement of the Compensation for each of the years ended December 31, 2018, 2019 and 2020 ("the Relevant Years") (details refer to the following paragraph) until maturity date. The Vendors guaranteed that the combined audited consolidated profit after tax (excluding extraordinary and exceptional items) of the Acquired Group prepared under HKFRSs (the "Net Profit of Each of the Relevant Years") shall be not less than HK$10 million, HK$30 million and HK$40 million for each of the three years ended/ending December 31, 2018, 2019 and 2020 respectively (the "Guarantee Profit of Each of the Relevant Years"), failing which the Vendors shall pay compensation (the "Compensation") to the Group to be calculated as follows:

The Consideration x (the Guaranteed Profit of the Each of the Relevant Years – the Net Profit of Each of the Relevant Years)/the Total Guaranteed Profit of the Relevant Years

The Vendors and the Group shall procure the auditor nominated by the Group to complete the audited financial statements of the Acquired Group for each of the year ended/ending December 31, 2018, 2019 and 2020 within 3 months after the end of the Relevant Years. The Compensation (if any) shall be paid by the Vendors to the Group within 7 business days after determination of the Net Profit of Each of the Relevant Years. The Vendors shall be entitled to elect to pay the Compensation in cash or by way of set off against an equivalent principal amount of the convertible bonds.

On December 17, 2018, the acquisition was completed.

39. BUSINESS COMBINATION *(CONTINUED)*

The fair values of identifiable assets and liabilities of the Acquired Group as at the date of completion on the acquisition are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	780
Intangible assets	27,000
Trade receivables	9,836
Prepayments, deposits and other receivables	29,915
Cash and cash equivalents	2,978
Trade and other payables	(26,385)
Deferred tax liabilities	(6,750)
Total identifiable net assets at fair value	37,374
Less: Non-controlling interests	(13,732)
Total identifiable net assets at fair value shared by the Group	23,642
Goodwill	40,528
	64,170
Consideration satisfied by:	
Convertible bonds	70,000
Contingent consideration receivable	(5,830)
Total consideration	64,170
An analysis of the consolidated cash flows in respect of the acquisition of subsidiaries is as follows:	
Cash consideration paid	–
Cash and cash equivalents acquired	2,978
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,978

39. BUSINESS COMBINATION *(CONTINUED)*

(i) The Acquired Group contributed revenue and net loss after tax of HK$1,517,000 and HK$357,000 respectively to the Group for the period between the date of completion on the acquisition and the year ended December 31, 2018.

Had the acquisition of the Acquired Group taken place at January 1, 2018, the revenue and the net loss after tax of the Group for the year ended December 31, 2018 would have been HK$245,946,000 and HK$91,622,000 respectively.

(ii) The fair value of trade and other receivables were HK$9,836,000 and HK$4,936,000 respectively as at the date of completion of the acquisition. The gross contractual amounts of trade and other receivables were HK$9,836,000 and HK$4,936,000. None of the receivables was expected to be uncollectible at the date of completion on the acquisition.

(iii) The Group incurred transaction costs of HK$290,000 for the acquisitions. The transaction costs have been expensed and included in operating expenses in the consolidated statement of profit or loss and other comprehensive income.

(iv) Goodwill arising from the acquisition of the Acquired Group is attributable to the expansion on the Group's businesses into trading of security products and provision of security services business in the PRC and HK and revenue sources from the anticipated profitability and revenue growth of the Acquired Group. None of the goodwill recognised is expected to be deductible for income tax purpose.

(v) The Group has elected to measure the non-controlling interests in Acquired Group at the non-controlling interests' proportionate share of Acquired Group's identifiable net assets.

(vi) If the Acquired Group could not fulfil the Guaranteed Profit of Each of Relevant Years, the Vendor shall pay the Compensation to the Group in according the calculation disclosed above. If the Net Profit of Each of Relevant Years are negative, it shall be deemed to be zero.

(vii) The Acquired Group fulfilled the guarantee profit for the year ended December 31, 2018 and no compensation is required to be paid by the Vendors to the Group.

(viii) Pursuant to the supplemental deed entered into between the Vendors and the Group on June 30, 2020, it was mutually agreed that the Acquired Group could not fulfil the profit guarantee for the year ended December 31, 2019, and the profit guarantee for the year ended December 31, 2020 be terminated. The Vendors agreed to surrender the relevant convertible bonds in the principal amount of HK$26.25 million and HK$35 million respectively to the Company for cancellation. For details, please refer to note 46(b).

40. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has six (2018: six) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Securities brokerage and assets management

— Trading of party products

— Advancing business*

— Credit guarantee and investment business

— Trading of metals and minerals

— Trading of security products and provision of security services

* The management redefined the "Money lending business" segment to "Advancing business" to reflect the strategic decision of the Group.

40. SEGMENT REPORTING *(CONTINUED)*

(a) Segment Revenues and Results

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment results represents the profit/(loss) earned by each segment without allocation of administrative expenses, certain other revenue and other net gain/(loss), other non-operating expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

The following is an analysis of the Group's revenue and results by operation segment:

Year ended December 31, 2019

	Securities brokerage and assets management HK$'000	Trading of party products HK$'000	Advancing business HK$'000	Credit guarantee and investment business HK$'000	Trading of metals and minerals HK$'000	Trading of security products and provision of security services HK$'000	Unallocated HK$'000	Total HK$'000
Revenue								
Segment revenue	741	40,965	12,001	–	–	81,921	–	135,628
Inter-segment revenue	(15)	–	–	–	–	–	–	(15)
Revenue from external customers	726	40,965	12,001	–	–	81,921	–	135,613
Result								
Segment results	(36,237)	(4,541)	(130,671)	375	(11,241)	(1,600)	–	(183,915)
Reconciliation:								
Bank interest income								18
Unallocated corporate income								13,768
Unallocated corporate expenses								(34,966)
Impairment loss on interest in an associate								(46,445)
Loss on convertible bonds restructure								(1,693)
Fair value loss on derivative financial assets								(1,546)
Equity settled share-based payment expenses								(1,060)
Finance costs								(15,684)
Share of profit of an associate								5,396
Loss on deregistration of subsidiaries								(159)
Gain on disposal of subsidiaries								2,616
Loss on deconsolidation of subsidiaries								(120,156)
Loss before tax								(383,826)
Income tax credit								428
Loss for the year								(383,398)

40. SEGMENT REPORTING *(CONTINUED)*

(a) Segment Revenues and Results *(continued)*

Year ended December 31, 2019 *(continued)*

	Securities brokerage and assets management HK$'000	Trading of party products HK$'000	Advancing business HK$'000	Credit guarantee and investment business HK$'000	Trading of metals and minerals HK$'000	Trading of security products and provision of security services HK$'000	Unallocated HK$'000	Total HK$'000
Other segment information:								
Capital expenditure of property, plant and equipment	3	11	–	–	–	13	–	27
Depreciation on property, plant and equipment	3,058	203	3	–	18	283	2,065	5,630
Depreciation on right-of-use assets	113	–	–	–	–	–	10,970	11,083
Impairment loss on loan receivables	–	–	111,128	–	–	–	–	111,128
Impairment loss on trade receivables	2,748	–	11,525	–	–	3,972	–	18,245
Impairment loss on other receivables and deposits paid	69	–	1	–	11,197	660	6,423	18,350
Unrealised (gain)/loss on fair value change in trading securities	(5)	–	–	–	–	–	72	67
Realised loss an disposal of trading securities	–	–	–	–	–	–	498	498
Impairment loss on goodwill	3,000	–	–	–	–	40,235	–	43,235
Impairment loss on intangible assets	17,888	–	500	–	–	10,293	–	28,681
Impairment loss on right-of-use assets	378	–	–	–	–	–	1,534	1,912
Amortisation of intangible assets	–	–	–	–	–	5,411	–	5,411
Impairment of property, plant and equipment	–	–	–	–	–	294	–	294
Fair value gain on contingent consideration receivables	–	–	–	–	–	(54,510)	–	(54,510)
Loss on written off of property, plant and equipment	578	62	6	–	18	188	748	1,600

40. SEGMENT REPORTING *(CONTINUED)*

(a) Segment Revenues and Results *(continued)*

Year ended December 31, 2018

	Securities brokerage and assets management HK$'000	Trading of party products HK$'000	Advancing business HK$'000	Credit guarantee and investment business HK$'000	Trading of metals and minerals HK$'000	Trading of security products and provision of security services HK$'000	Unallocated HK$'000	Total HK$'000
Revenue								
Segment revenue	1,237	51,479	12,514	212	–	1,517	–	66,959
Inter-segment revenue	(26)	–	–	–	–	–	–	(26)
Revenue from external customers	1,211	51,479	12,514	212	–	1,517	–	66,933
Result								
Segment results	(49,754)	(2,969)	(6,725)	5,604	(909)	(651)	–	(55,404)
Reconciliation:								
Gain on convertible bonds restructure								6,542
Bank interest income								228
Unallocated corporate expenses								(21,619)
Equity settled share-based payment expenses								(15,148)
Finance costs								(7,428)
Share of loss of an associate								(4,984)
Loss on disposal of an associate								(5,086)
Loss before tax								(102,899)
Income tax expense								(432)
Loss for the year								(103,331)
Other segment information:								
Capital expenditure of property, plant and equipment	–	124	–	–	–	–	–	124
Depreciation on property plant and equipment	5,391	584	3	265	17	15	–	6,275
Impairment loss on loan receivables	–	–	13,707	–	–	–	–	13,707
Impairment loss on trade receivables	–	–	862	446	–	–	–	1,308
(Reversal of impairment loss)/ impairment loss on other receivables	–	–	–	(13,008)	–	724	2,569	(9,715)
Realised loss on disposal of trading securities	30,936	–	–	–	–	–	–	30,936
Unrealised loss on fair value change in trading securities	1,303	–	–	–	–	–	–	1,303

40. SEGMENT REPORTING *(CONTINUED)*

(b) Segment Assets and Liabilities

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

— all assets are allocated to operating segments other than certain right-of-use assets, interest in an associate, certain trading securities, tax recoverable, certain prepayments, deposits and other receivables and cash and cash equivalents; and

— all liabilities are allocated to operating segments other than certain accruals and other payables, certain lease liabilities, amount due to a deconsolidated subsidiary, convertible bonds, other loan and tax payables.

The following is an analysis of the Group's assets and liabilities by operating segment:

Year ended December 31, 2019

	Securities brokerage and assets management HK$'000	Trading of party products HK$'000	Advancing business HK$'000	Credit guarantee and investment business HK$'000	Trading of metals and minerals HK$'000	Trading of security products and provision of security services HK$'000	Total HK$'000
ASSETS							
Segment assets	19,755	11,075	104	–	567	87,098	118,599
Bank balances and cash (including restricted cash)							15,449
Interest in an associate							586
Tax recoverable							45
Unallocated corporate assets							16,343
Consolidated total assets							151,022
LIABILITIES							
Segment liabilities	11,523	3,460	152,088	20	2,118	13,449	182,658
Elimination of loan payables *(Note (a))*	–	–	(151,453)	–	–	–	(151,453)
	11,523	3,460	635	20	2,118	13,449	31,205
Convertible bonds							161,491
Tax payables							2,961
Other loan							13,000
Amount due to a deconsolidated subsidiary							8,467
Unallocated corporate liabilities							35,216
Consolidated total liabilities							252,340

Note:

(a) The loan was made from a subsidiary of the Group to the subsidiary under advancing business segment which was under negotiated terms. As at December 31, 2019, the carrying amount of the loan was HK$151,453,000 (2018: HK$133,762,000).

40. SEGMENT REPORTING *(CONTINUED)*

(b) Segment Assets and Liabilities *(continued)*

Year ended December 31, 2018

	Securities brokerage and assets management HK$'000	Trading of party products HK$'000	Advancing business HK$'000	Credit guarantee and investment business HK$'000	Trading of metals and minerals HK$'000	Trading of security products and provision of security services HK$'000	Total HK$'000
ASSETS							
Segment assets	53,924	14,325	174,762	25,191	11,799	104,662	384,663
Bank balances and cash (including restricted cash)							26,139
Interest in an associate							41,382
Tax recoverable							130
Unallocated corporate assets							69,965
Consolidated total assets							522,279
LIABILITIES							
Segment liabilities	8,747	5,821	134,361	5,560	2,112	28,777	185,378
Elimination of loan payables	–	–	(133,762)	–	–	–	(133,762)
	8,747	5,821	599	5,560	2,112	28,777	51,616
Convertible bonds							144,695
Tax payables							1,461
Other loan							13,000
Unallocated corporate liabilities							18,889
Consolidated total liabilities							229,661

40. SEGMENT REPORTING *(CONTINUED)*

(c) Geographic information

Revenue

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Hong Kong	**43,460**	52,371
Mainland China	**79,502**	1,248
	122,962	53,619
Revenue from other sources		
Hong Kong	**12,651**	13,102
Mainland China	**–**	212
	12,651	13,314
Total	**135,613**	66,933

Specified non-current assets

The following table sets out information about the geographical location of the Group's property, plant and equipment, right-of-use assets, intangible assets, goodwill and interest in an associate ("Specified non-current assets"). The geographical location of the Specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and right-of-use assets; the location of the operation to which they are allocated, in the case of intangible assets, goodwill and interest in an associate.

	2019	2018
	HK$'000	HK$'000
Hong Kong	**16,875**	64,226
Mainland China	**12,568**	90,888
Total	**29,443**	155,114

40. SEGMENT REPORTING *(CONTINUED)*

(d) Revenue from customers, which are all in the trading of security products business (2018: Trading of party products business), contributing 10% or more of the total revenue of the Group are as follows:

	2019	2018
	HK$'000	HK$'000
Customer A	**32,556**	*–
Customer B	#–	14,755
Customer C	#–	8,978
Customer D	#–	8,768
Customer E	#–	7,643
Customer F	#–	7,277

* The transactions with this customer did not contribute 10% or more of total revenue of the Group during the year ended December 31, 2018. Five customers amounted to HK$47,421,000 from trading of party products business had individually contributed over 10% of the total revenue of the Group during the year ended December 31, 2018.

\# These five customers mentioned in above did not individually contribute over 10% or more of total revenue of the Group during the year ended December 31, 2019.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment in subsidiaries		**12,463**	117,861
Amounts due from subsidiaries		**1,702**	295,903
		14,165	413,764
Current assets			
Prepayments, deposits and other receivables		**12,083**	6,097
Cash and cash equivalents		**8**	3
		12,091	6,100
Total Assets		**26,256**	419,864
Capital and reserves			
Share capital	27	**938**	932,717
Reserves	29	**(150,516)**	(675,688)
		(149,578)	257,029
Current liabilities			
Amounts due to subsidiaries		**4,083**	16,230
Accruals and other payables		**10,260**	1,910
Convertible bonds		**108,601**	99,095
		122,944	117,235
Non-current liabilities			
Convertible bonds		**52,890**	45,600
Total Equity and Liabilities		**26,256**	419,864
Net current liabilities		**(110,853)**	(111,135)
Total assets less current liabilities		**(96,688)**	302,629

42. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties during the year:

(a) At December 31, 2019, the Company had outstanding unsecured convertible bonds of principal amount of HK$100,000,000 held by the New Bondholder, Neo Tech Inc., whereas Mr. Ng Yu, (the chairman, executive director and the substantial shareholder of the Company), is the beneficial owner. At December 31, 2018, the Original Bondholder was a company wholly owned by Ms. Cheung Kwan (the ex-chairlady of the Board, ex-executive director and the substantial shareholder of the Company). The convertible bonds are charged at 5% (2018: 0%) coupon rate, unsecured and repayable on February 18, 2020. Further details of the convertible bonds are set out in note 37(a).

(b) Compensation of key management of the Group:

	2019	2018
	HK$'000	HK$'000
Salaries, allowance and other benefits	**11,437**	11,916
Contributions to defined contribution retirement plans	**73**	113
Discretionary bonus	**150**	121
Equity settled share-based payment	**419**	8,212
	12,079	20,362

Note: Further details of post-employment benefits and directors' and employees' emoluments are included in notes 10 and 11 to the consolidated financial statements. Total remuneration is included in staff costs (see Note 6).

43. COMMITMENTS

(a) Capital Commitments

As at December 31, 2019, the Group did not have capital commitments contracted but not provided for in the consolidated financial statements.

(b) Operating Lease Commitments

The Group leases office premises under operating lease arrangements. At the end of each reporting period, the Group had future aggregate minimum lease payment under non-cancellable operating leases arrangements as follows:

	2018
	HK$'000
Within one year	15,043
In the second to fifth year, inclusive	1,600
	16,643

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Group's major financial instruments include, cash and cash equivalents, client trust bank balance, trade receivables, deposits and other receivables, loan receivables, trading securities, contingent consideration receivables, trade payables, other payables, other loan, lease liabilities, convertible bonds and amount due to a deconsolidated subsidiary. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group does not hold or issue derivate financial instruments either for hedging or trading purposes. The policies on how to mitigate these risks are set out as below.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Fair values of financial assets and liabilities:

Financial instruments not measured at fair value

At the end of the reporting period, the fair values of the Group's financial assets and liabilities not measured at fair value are not materially different from their carrying amount.

Financial instruments measured at fair value

Group's valuation process

The fair values of trading securities are measured with reference to quoted market prices.

The fair values of contingent consideration receivables are arrived at on the basis of a valuation carried out by independent firm of professional valuers with recognised qualifications and experience.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

Financial instruments measured at fair value (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	December 31, 2019 HK$'000	December 31, 2018 HK$'000			
(1) Trading securities — Listed equity securities	**114**	1,201	Level 1	Quoted prices in active market	—
(2) Contingent consideration receivables	**60,340**	5,830	Level 3	Expected discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow into the Group arising from the contingent consideration, based on an appropriate discount rate.	Discount rate ranged from 1.80% to 2.16% (2018: 5.13%) *(Note a)*

Note a: An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration receivables, and vice versa. A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the contingent consideration receivables by a range from HK$480,000 to HK$490,000.

During the year, there were no transfer of fair value measurements between Level 1, Level 2 and Level 3 (2018: Nil).

Reconciliation of balances of Level 3 fair value measurement of the contingent consideration receivables is as follows:

Contingent consideration receivables

	2019 HK$'000	2018 HK$'000
Balance at the beginning of the year	**5,830**	–
Arising from acquisition of subsidiaries at fair value included in Level 3 category	**–**	5,830
Changes in fair value recognised in profit or loss during the year	**54,510**	–
Balance at the end of the year	**60,340**	5,830

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

Financial instruments in Level 1

The fair values of trading securities are based on quoted market prices at the end of the reporting period. The quoted market price used is the current bid price.

(i) Credit risk

Credit risk arises from the possibility that the counterparty to transaction is unwilling or unable to fulfill its obligation thereby incurring financial loss to the Group.

— Trade and other receivables

As at December 31, 2019, the maximum exposure to credit risk is represented by the carrying amount of trade and other receivables in the consolidated statement of financial position.

In respect of trade and other receivables, in order to minimise risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of customers' financial position and condition are performed on all customers periodically. In addition, credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are usually due within 90 days from the date of billing. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collaterals from customers.

For trade receivables, the Group performs impairment assessment under ECL model individually. Net impairment loss of HK$18,245,000 (2018:HK$1,308,000) is recognised during the year. Details of the quantitative disclosure are set out below in this note.

For other receivables, the directors of the Group make periodic individual assessment on recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Group considered that there are increase in credit risk of certain other receivables and no significant increase in credit risk in certain other receivables. Therefore, the Group provided impairment based on both 12-month ECL and lifetime ECL. Net impairment loss of HK$5,570,000 (2018: net reversal of impairment loss of HK$9,715,000) is recognised during the year. Details of the quantitative disclosure are set out below in this note.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At December 31, 2019, the Group has a certain concentration of credit risk as approximately equals to 0% (2018: 22.5%) and 23.8% (2018: 46.1%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group also has a certain concentration of credit risk as approximately equals to 31.1% (2018: 28.7%) and 81.7% (2018: 81.2%) of the total other receivables was due from the Group's largest other receivables and the five largest other receivables respectively.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk *(continued)*

— Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with the financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

— Loan receivables

As at December 31, 2019, the maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of loan receivables in the consolidated statement of financial position.

In respect of loan receivables, in order to minimise risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of customers' financial position and condition are performed on all customers periodically. In addition, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are usually due within one to two years from the date of loan agreement. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. The Group obtains collaterals from several customers. The collaterals are mainly personal guarantee and unlisted equity shares of some PRC companies.

The Group has made full impairment on loan receivables as at December 31, 2019 as the collectability of the loans was doubtful. The Group assessed the impairment loss of loan receivables as at December 31, 2018 with reference to the valuation conducted by an independent valuer with recognised qualifications and experience. The valuation was prepared under the expected credit loss model which was determined in accordance with the requirements of the HKFRS 9. The key assumptions used in the valuation include the probability of default rates of the corporate customers and the individual customers about 10% and 2% respectively, loan recovery rates of the corporate customers and the individual customers about 38% and 0% respectively, the collateral of the customers and the forward looking adjustment (which is referred to the economic forecast of the country where the customers of loan receivable locate) of 0.4%. The collaterals are mainly personal guarantee and unlisted equity shares of some PRC companies.

In respect of loan receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At December 31, 2019, the Group has a certain concentration of credit risk as approximately 23.4% (2018:16.5%) and 90.6% (2018:75.0%) of the gross amount of loan receivables were due from the Group's largest debtor and the five largest debtors respectively.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk *(continued)*

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

Internal credit rating	Description	Loan receivables	Trade receivables	Other receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired	Lifetime ECL–not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired

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

Financial assets at amortised costs	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount			
				2019	**2019**	2018	2018
				HK$'000	**HK$'000**	HK$'000	HK$'000
Loan receivables	1	Low risk	Lifetime ECL — not credit-impaired	**–**		67,338	
		Low risk	12-month ECL	**–**		111,128	
		Loss	Lifetime ECL-credit impaired	**122,555**	**122,555**	11,427	189,893
Trade receivables		Low risk	Lifetime ECL — not credit-impaired	**22,626**		19,185	
		Loss	Lifetime ECL — credit-impaired	**15,135**	**37,761**	2,017	21,202
Other receivables		Low risk	12-month ECL	**11,459**		88,177	
		Doubtful	Lifetime ECL — not credit-impaired	**9,754**		–	
		Loss	Lifetime ECL — credit– impaired	**24,857**	**46,070**	36,732	124,909

Note:

1. As at December 31, 2018, as the loans were bullet loans which interest and principal are repayable in total at the repayment date in Jun 2020. Although it was classified as low risk, lifetime ECL – not credit impaired was considered.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk *(continued)*

(i) The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at January 1, 2018	–	715	715
Impairment loss recognised	–	1,308	1,308
Exchange adjustments	–	(6)	(6)
As at December 31, 2018 and January 1, 2019	–	2,017	2,017
Deconsolidation of subsidiaries	–	(1,155)	(1,155)
Impairment loss for the year	3,972	14,768	18,740
Reversal of impairment	–	(495)	(495)
As at December 31, 2019	3,972	15,135	19,107

During the year ended December 31, 2019, the impairment allowance was made on both not credit-impaired and credit-impaired debtors. In view of the history of business dealings with other debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the credit-impaired debtors.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk *(continued)*

(i) *(continued)*

Net impairment losses on trade receivables for the year represented by:

	2019 HK$'000	2018 HK$'000
Securities brokerage and assets management	**2,748**	–
Advancing business	**11,525**	862
Credit guarantee and investment business	**–**	446
Trading of security products and provision of security services	**3,972**	–
Total	**18,245**	1,308

Impairment of approximately HK$3,972,000 (2018: Nil) (lifetime ECL (not credit-impaired)) was provided during the year with gross carrying amounts of debtors amounting approximately to HK$5,940,000. Full impairment was provided for credit-impaired debtors with gross carrying amounts of approximately HK$15,135,000 as at 31 December 2019 (2018: approximately HK$2,017,000) were assessed individually.

The following table provides information about the exposure to credit risk for trade receivables of which the management considers that the credit risk of these receivables to be low and therefore no material credit risk:

	2019 Gross carrying amount of trade receivables HK$'000	2018 Gross carrying amount of trade receivables HK$'000
Current (not past due)	**4,927**	10,698
1–30 days past due	**3,267**	2,090
31–60 days past due	**4,208**	3,884
61–90 days past due	**2,971**	2,408
More than 90 days past due	**1,313**	105
	16,686	19,185

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk *(continued)*

(i) The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.*(Continued)*

Changes in the loss allowance for trade receivables are mainly due to:

	December 31 Increase/(decrease) in lifetime ECL			
	2019		2018	
	Not credit-impaired HK$'000	**Credit-impaired HK$'000**	Not credit-impaired HK$'000	Credit-impaired HK$'000
One trade debtor from securities brokerage business default as at December 31, 2019	**–**	**2,748**	–	–
One trade debtor from advancing business business which defaulted in previous year was recovered during the year ended December 31, 2019	**–**	**(495)**	–	–
Five (2018: Two) trade debtors from the advancing business with a gross carrying amount of HK$12,020,000 defaulted as at December 31,2019 (2018: HK$862,000)	**–**	**12,020**	–	862
One trade debtor from credit guarantee service and investment income business with a gross carrying amount of HK$446,000 defaulted as at December 31, 2018	**–**	**–**	–	446
One trade debtor from provision of security services business with a gross carrying amount of HK$5,940,000 increased credit risk as at December 31, 2019	**3,972**	**–**	–	–
Deconsolidation of subsidiaries	**–**	**(1,155)**	–	–
	3,972	**13,118**	–	1,308

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk *(continued)*

(i) The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.*(Continued)*

As at December 31, 2019, the total impairment loss of approximately HK$19,107,000 represented impairment loss on overdue interest receivables of HK$12,387,000 (2018: HK$862,000) from advancing business, impairment loss on overdue account receivables of HK$2,748,000 (2018: Nil) from securities brokerage and assets management business, and impairment loss on overdue balance of HK$3,972,000 from sales of security products business respectively. At December 31, 2018, there was impairment loss on overdue account receivables of HK$1,155,000 from credit guarantee service and investment income business. The management considered that the above amounts had low possibility to be recovered.

(ii) The following tables show reconciliation of loss allowances that has been recognised for loan receivables.

	12-month ECL	**Lifetime ECL (not credit-impaired)**	**Lifetime ECL (credit-impaired)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at January 1, 2018	2,129	–	–	2,129
Impairment loss recognised	–	2,280	11,427	13,707
As at December 31, 2018 and January 1, 2019	2,129	2,280	11,427	15,836
Impairment loss for the year	–	–	111,128	111,128
Deconsolidation of subsidiaries	(2,129)	(2,280)	–	(4,409)
As at December 31, 2019	–	–	122,555	122,555

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk *(continued)*

(ii) *(continued)*

Changes in the loss allowance for loan receivables are mainly due to:

	December 31, 2019		
		Increase/(decrease) in lifetime ECL	
	Increase/ (decrease) in 12-month ECL	**Not credit-impaired**	**Credit-impaired**
	HK$'000	HK$'000	HK$'000
Loan receivables which were default payment and the collectability of the loans was doubtful	–	–	111,128
Deconsolidation of subsidiaries	–	(4,409)	–
	–	(4,409)	111,128

	December 31, 2018		
		Increase/(decrease) in lifetime ECL	
	Increase/ (decrease) in 12-month ECL	Not credit-impaired	Credit-impaired
	HK$'000	HK$'000	HK$'000
Advance of new loan receivables	–	2,280	–
Advance of new loan receivables which was default payment	–	–	11,427

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk *(continued)*

(iii) The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL	**Lifetime ECL (not credit-impaired)**	**Lifetime ECL (credit-impaired)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at January 1, 2018	4,579	–	47,633	52,212
Impairment loss recognised	1,012	–	1,016	2,028
Impairment loss reversed	–	–	(11,743)	(11,743)
Exchange adjustment	96	–	(174)	(78)
As at December 31, 2018 and January 1, 2019	5,687	–	36,732	42,419
Transfer of credit risk	(3,518)	201	3,317	–
Impairment loss for the year	128	179	5,910	6,217
Reversal of impairment loss	(505)	(142)	–	(647)
Disposal of subsidiaries	(212)	–	(4,624)	(4,836)
Deconsolidation of subsidiaries	(1,451)	–	(15,195)	(16,646)
Written off	–	–	(1,283)	(1,283)
Exchange adjustment	(2)	(2)	–	(4)
As at December 31, 2019	127	236	24,857	25,220

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk *(continued)*

(iii) *(continued)*

Changes in the loss allowance for other receivables are mainly due to:

	December 31, 2019		
		Increase/(decrease) in lifetime ECL	
	Increase/ (decrease) in 12-month ECL HK$'000	**Not credit-impaired** HK$'000	**Credit-impaired** HK$'000
Deconsolidation of subsidiaries	(1,451)	–	(15,195)
Disposal of subsidiaries	(212)	–	(4,624)
Two debtors under other receivables were default	–	–	5,907

	December 31, 2018		
		Increase/(decrease) in lifetime ECL	
	Increase/ (decrease) in 12-month ECL HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000
One debtor under other receivables impaired subsequently repaid	–	–	(11,743)
Several debtors under other receivables were default	1,012	–	1,016

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk *(continued)*

(iii) *(continued)*

Regarding other receivables, as at December 31, 2019, included in the total impairment loss of approximately HK$25,220,000 (2018: HK$42,419,000), HK$24,854,000 (2018: HK$26,501,000) was made as provision for an independent third party due to the legal title of certain collateral is uncertain. At December 31, 2018, there was provision for overdue balance, which were under the credit guarantee service and investment business (amounting HK$8,953,000). In addition, impairment loss was made during the year due to the increased credit risk for the other receivables amounting HK$6,217,000.

Other receivables of HK$647,000 (2018: HK$11,743,000) were reversed during the year due to improved credit rating. As a result, a reversal of impairment loss has been recognised in profit or loss.

(ii) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due.

The Group is responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Sources of liquidity are daily reviewed by the Group to ensure the availability of sufficient liquid funds to meet all obligation. Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows in strict compliance with statutory requirements.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(ii) Liquidity risk *(continued)*

The following liquidity risk tables set out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group is required to pay.

	As at December 31, 2019					
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carrying amount HK$'000**
Trade payables	**7,764**	**–**	**–**	**–**	**7,764**	**7,764**
Accruals and other payables	**43,304**	**–**	**–**	**–**	**43,304**	**43,304**
Convertible bonds	**105,000**	**70,000**	**–**	**–**	**175,000**	**161,491**
Other loan	**13,000**	**–**	**–**	**–**	**13,000**	**13,000**
Amount due to a deconsolidated subsidiary	**8,467**	**–**	**–**	**–**	**8,467**	**8,467**
Lease liabilities	**5,998**	**–**	**–**	**–**	**5,998**	**5,976**
	183,533	**70,000**	**–**	**–**	**253,533**	**240,002**

	As at December 31, 2018					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Trade payables	6,483	–	–	–	6,483	6,483
Accruals and other payables	57,272	–	–	–	57,272	57,272
Convertible bonds	100,000	–	70,000	–	170,000	144,695
Other loan	13,000	–	–	–	13,000	13,000
	176,755	–	70,000	–	246,755	221,450

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(iii) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, client trust bank balances, loan receivables, other loan and convertible bonds. Bank balances expose the Group to cash flow interest rate risk; while loan receivables, other loan and convertible bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arises.

(1) Interest rate profile

The effective interest rate of convertible bonds is disclosed in note 37. The interest rates of loan receivables and other loan are disclosed in notes 22 and 35 respectively.

(2) Sensitivity analysis

At December 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated losses by approximately HK$154,000 (2018: HK$261,000). Other components of consolidated equity would not be affected (2018: Nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2018.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(iv) Currency risk

The Group is exposed to currency risk primarily through ordinary business operations which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("US$"), Renminbi ("RMB") and Hong Kong dollars.

(1) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	December 31, 2019		
	US$	**RMB**	**HK$**
	HK$'000	**HK$'000**	**HK$'000**
Cash and cash equivalents	**348**	**6**	**–**
Trade and other receivables	**4,431**	**–**	**–**
Trade and other payables	**(91)**	**(937)**	**–**
Overall exposure arising from recognised assets and liabilities	**4,688**	**(931)**	**–**

	December 31, 2018		
	US$	RMB	HK$
	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	3,347	451	133
Trade and other receivables	6,026	547	–
Trade and other payables	–	(554)	–
Overall exposure arising from recognised assets and liabilities	9,373	444	133

Management closely monitors currency risk position to ensure that the net exposure is kept at an acceptable level.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(iv) Currency risk *(continued)*

(2) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

	December 31, 2019		December 31, 2018	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK$'000
Renminbi	**5%**	**(39)**	5%	23
	(5%)	**39**	(5%)	(23)
Hong Kong dollars	**5%**	**–**	5%	7
	(5%)	**–**	(5%)	(7)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss/profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(v) Equity price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group is exposed to price risk arising from individual equity investment classified as trading securities. The directors of the Company manage the exposure by closely monitoring the portfolio of investments.

The management estimates that reasonable possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and held other variables constant, the impacts to the loss for the year and accumulated losses are as follows:

	2019	2018
	HK$'000	HK$'000
Loss for the year and accumulated losses		
Decrease by 10%	**(11)**	(120)
Increase by 10%	**11**	120

(b) Capital risk management

The primary objective of the Group's capital risk management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives or policies during the year.

The Group monitors capital on the basis of the debt-to-equity ratio. As at December 31, 2019, the Group's debt-to-equity ratio was 146% (2018: 51%), which is calculated as net debt divided by total equity. Net debt is calculated as convertible bond and other loan less cash and cash equivalents. Total equity represents equity attributable to the shareholders of the Company.

As at December 31, 2018, one subsidiary of the Group operated in the PRC is subject to the capital requirements under《融資性擔保公司監督管理條例》. The subsidiary is required to maintain a minimum paid up capital of RMB20,000,000.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(b) Capital risk management *(continued)*

During the year ended December 31, 2019, there were two licensed corporations within the Group. The liquid capital of the licensed corporations was below its required capital as required by the Securities and Futures (Financial Resources) Rules by approximately HK$52,000 to approximately HK$4,309,000 during the period from July 31, 2019 to December 31, 2019. The licensed corporations had notified Securities and Futures Commission of the aforesaid breaches on July 31, 2019 and January 31, 2020 respectively. In March and April 2020, the licensed corporations have injected additional fund of approximately HK$1,000,000 and HK$10,000,000 and the liquid capital of the licensed corporations is not less than required liquid capital from March and April 2020 respectively.

All licensed corporations within the Group complied with their required liquid capital during the year ended December 31, 2018.

45. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year, as discussed below.

(i) Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, or in the case of intangible assets with indefinite useful lives, the recoverable amount of the asset is determined annually. Calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

45. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(ii) ECLs on trade and other receivables and loans receivables

The measurement of loss allowance under HKFRS 9 across all categories of financial assets require judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining loss allowance and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(iii) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated which is higher of the value in use or fair value less costs of disposal. 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. If the carrying amount exceeds the estimated recoverable amount of the cash generating unit, additional impairment allowance may be required. Detail of the recoverable amount calculation are disclosed in note 16.

The following is the critical judgement, apart from those involving estimation, that the Board has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (agent)

The Group is considered as an agent for its contracts with customers relating to the provision of security services as the Group did not act as the principal for providing of security services to customers taking into consideration indicator such as the Group does not control specified good or service provided by another party before that good or service is transferred to the customer. When the Group act as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchanging for arranging for the specified goods or services to be provided by the other party.

During the year ended December 31, 2019, the Group recognised revenue relating to provision of security services amounted to approximately HK$2,419,000.

46. EVENTS AFTER THE REPORTING PERIOD

The Group had the following significant events subsequent to the end of the reporting period and up to the date of this report:

(a) Share Pledge of Dewe Kexin

Pursuant to a loan agreement entered into between the Company's subsidiary and an independent third party (the "Lender"), a share pledge (the "Share Pledge") over 51% equity interest in Dewe Kexin created as security for a loan in principal amount of RMB5,000,000 (the "Loan") was registered on January 14, 2020. The Share Pledge was subsequently enforced on February 17, 2020. As a result, Dewe Kexin ceased to be a subsidiary of the Company ("Dewe Deconsolidation").

(b) Non-fulfillment and termination of profit guarantees

On June 30, 2020, the Vendors of the Acquired Group and the Company entered into the Deed in relation to the agreement for the acquisition of the Acquired Group. Pursuant thereto, it was mutually agreed the following:

(i) to determine the 2019 Profit Guarantee based on the audited financial statements of the Dewe Kexin and International Security Net for the year ended December 31, 2019 with a limitation on the scope of audit opinion expressed by the Auditor and waive any right of claim in relation thereto (the "Assessment Accounts");

(ii) based on the Assessment Accounts, an unaudited net loss for the financial year ended December 31, 2019 was reported, representing a complete non-fulfillment of the 2019 Profit Guarantee, and the vendors of the Acquired Group irrevocably agreed to pay to the Group compensation for the non-fulfillment by way of surrendering the relevant convertible bonds in the principal amount of HK$26,250,000; and

(iii) the 2020 Profit Guarantee be terminated and the vendors of the Acquired Group irrevocably agreed to pay to the Group compensation by way of surrendering relevant convertible bonds in the principal amount of HK$35,000,000.

The Directors are of the view that the entering into of the Deed is fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Further details are disclosed in the announcement of the Company dated June 30, 2020.

(c) Disposal of International Security Net and Other Receivables

Subsequent to the creation and enforcement of the Share Pledge, the management of the Group discovered that the loan in the principal amount of RMB5,000,000 failed to be deposited in any of the Group's bank accounts (the "Other Receivables"). On June 30, 2020, the Vendors entered into the Disposal Agreement with the Group in relation to the disposal of the entire issued share capital of International Security Net and the Other Receivables for a total consideration of HK$8,750,000. For details, please refer to the announcement of the Company dated June 30, 2020.

46. EVENTS AFTER THE REPORTING PERIOD *(CONTINUED)*

(d) Placing of new shares

On February 26, 2020, the Company and a Placing Agent entered into agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on the best effort basis, of up to 181,463,440 shares, to not less than 6 independent third parties at a price of HK$0.1 per share. On March 17, 2020, the Company and the Placing Agent entered into a supplemental agreement to extend the date for fulfilling the condition precedent of the placement to April 20, 2020 and completed on April 20, 2020. The directors intend to use net proceeds of approximately HK$17,965,000 as working capital of the Group. Further details are disclosed in the announcements of the Company dated February 26, 2020, March 17, 2020 and April 20, 2020.

(e) Irrevocable undertaking on extension of 2020 Convertible Bonds

On March 25, 2020, the New Bondholder made an irrevocable undertaking that it will enter into an amendment deed to extend the maturity date of the 2020 Convertible Bonds with the principal amount of HK$100,000,000 from February 18, 2020 to February 18, 2022 subject to approval from independent shareholders of the Company and the Stock Exchange of Hong Kong Limited. The New Bondholder represented that it will not make any claims against the Company on the overdue of the convertible bonds.

(f) The assessment of the impact of the novel coronavirus

Since January 2020, the COVID-19 coronavirus outbreak has impacted the global business environment. Up to the date of this annual report, the COVID-19 coronavirus outbreak has resulted in material adverse impact to the Group's revenue due to the worsen economic atmosphere in PRC and globally, and the downtrend is expected to be continue for the rest of the first quarter or even the first half of 2020. The COVID-19 coronavirus outbreak is expected to adversely impact the business performance of the Group but the actual impact has yet to be quantified. The Group will continue to monitor the development of the COVID-19 coronavirus outbreak and react actively to its impact on the financial position and operating results of the Group. Up to the date of issue of this annual report, the assessment is still in progress.

(g) Withdrawal of winding up petition

On January 3, 2020, the Company received a winding up petition (the "Petition") filed by Access Partner Consultancy & Appraisals Limited (the "Petitioner") against the Company under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 31 of the laws of Hong Kong) in the High Court of Hong Kong. The Petition was filed against the Company for failure to settle the outstanding balance under the invoices in the total sum of HK$198,000. On January 17, 2020, the Company settled all the outstanding balance under the Petition and upon the joint application of the Company and the Petitioner, the High Court of Hong Kong ordered that the Petition be withdrawn on June 1, 2020. Further details are disclosed in the announcements of the Company dated January 7, 2020 and June 3, 2020.

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

There was no material non-cash transaction during the year ended December 31, 2019. During the year ended December 31, 2018, the Group completed the acquisition of the Acquired Group and the consideration was settled by issue of the convertible bonds of the Company. Details are set out in note 37.

(b) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities	**Other loan**	**Accruals and other payables**	**Convertible bonds**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At December 31, 2018	–	13,000	187	144,695	157,882
Impact on initial application of HKFRS 16 (note a)	10,739	–	–	–	10,739
At January 1, 2019	10,739	13,000	187	144,695	168,621
Changes from financing cash flows:					
Capital element of lease liabilities	(5,589)	–	–	–	(5,589)
Interest element of lease liabilities	(325)	–	–	–	(325)
Advances from other payables	–	–	1,199	–	1,199
Consideration paid for CB restructure	–	–	–	(443)	(443)
Total changes from financing cash flows	(5,914)	–	1,199	(443)	(5,158)
Other changes:					
Addition of lease liabilities	4,727	–	–	–	4,727
Imputed interest	762	–	799	14,000	15,561
Loss on convertible bonds restructure	–	–	–	3,239	3,239
Disposal of subsidiaries	(4,338)	–	–	–	(4,338)
	1,151	–	799	17,239	19,189
At December 31, 2019	5,976	13,000	2,185	161,491	182,652

(a) The Group has initially applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application on January 1, 2019 to recognise lease liabilities relating to lease which were previously classified as operating lease under HKAS17.

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Accruals and other payables arising from financing activities HK$'000	Other loan HK$'000	Convertible bonds HK$'000	Total HK$'000
At January 1, 2018	8,659	–	99,124	107,783
Changes from financing cash flows:				
Interests paid	(728)	–	–	(728)
Advanced to other payables	(8,659)	–	–	(8,659)
Increase in other loan	–	13,000	–	13,000
Total changes from financing cash flows	(9,387)	13,000	–	3,613
Other changes:				
Issuance of convertible bonds for acquisition of subsidiaries	–	–	45,600	45,600
Imputed interest	915	–	6,513	7,428
Gain on convertible bonds restructure	–	–	(6,542)	(6,542)
	915	–	45,571	46,486
At December 31, 2018	187	13,000	144,695	157,882

During the Current Year, the business and operation of the Group was managed by the Former Executive Management. As a matter of fact, all of the current directors and management of the Company (except Ms. Zhao Hong Mei (an executive director of the Company), Mr. Anthony Espina and Mr. Wang Jun Sheng (both being independent non-executive directors of the Company)) only joined the Company in or after December 2019 and took over the management function of the Company since then.

VIEWS OF THE AUDIT COMMITTEE AND THE BOARD ON THE AUDITOR'S OPINION

The Audit Committee and the Board consider that the Company has provided all available audit evidence to the Auditor and, except for the uncertainty or possible effect of the matters leading to the Auditor's disclaimer of opinion disclosed herein, the performance and financial position of the Group for the financial year ended December 31, 2019 were reasonably presented.

After discussion with the Auditor on its basis of disclaimer of opinion to the Auditor's report, the Audit Committee and the Board both agreed that the above matters are isolated incidents; and neither the Company's corporate governance, nor the impartiality of the Board and management, was materially impaired. However, in view of the disclaimer of opinion issued by the Auditor for the year ended December 31, 2019 due to loss of control and limitation of scope on certain subsidiaries and associate, the Board as agreed by the Audit Committee, has acknowledged that certain deficiencies or inadequacies may exist in the internal control and risk management systems of the Group and is currently contemplating to conduct a full scale and holistic review of the internal control system of the Group to identify and address, if any, the material weaknesses and deficiencies thereof.

(i) DECONSOLIDATION OF SUBSIDIARIES

Details of the basis of this audit qualification

The Group has all along been liaising with the key management of the Deconsolidated Subsidiaries (the "Subsidiaries' Management") but failed to obtain relevant books and records of the Deconsolidated Subsidiaries for financial reporting and audit purpose. The Board has always used its best endeavours to maintain control and supervision over the operation of its subsidiaries in accordance with the Group's internal control and risks management systems. However since the beginning of 2020, when the management tried to discuss the audit arrangement and the day-to-day operation with the Subsidiaries' Management, the management detected that they have demonstrated an uncooperative attitude without any sound reason. The management suspected that the Subsidiaries' Management had been intentionally disobeying and neglecting the order and authority of the Group's headquarters in Hong Kong and its views are confirmed after repeated but unsuccessful attempts of the Board in exercising control over the Deconsolidated Subsidiaries through, among other things, arranging site visits for the Auditor to carry out the audit works, obtaining management accounts of the Deconsolidated Subsidiaries and requesting updates from the Deconsolidated Subsidiaries regarding its operation and financial performance. Advice has been sought from the Company's legal adviser as to the PRC laws and legal letters were sent to the Deconsolidated Subsidiaries on June 9, 2020 and July 2, 2020 requesting all necessary information and documents. Up to the date hereof, the Group has not obtained any reply from the Deconsolidated Subsidiaries. Accordingly, the Board resolved on July 7, 2020 that the Group no longer had control on the Deconsolidated Subsidiaries as it is no longer exposed, or had rights, to variable returns from its involvement with the Deconsolidated Subsidiaries, or the ability to affect those returns through its power over the Deconsolidated Subsidiaries. The control over the Deconsolidated Subsidiaries was considered to be lost. In view of the above circumstances, the Group decided to exclude the financial position, results and cash flows of the Deconsolidated Subsidiaries as at and for the year ended December 31, 2019. In the opinion of the Directors, the consolidated financial statements of the Group for the year ended December 31, 2019 were prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of the Deconsolidated Subsidiaries.

The view of the Board and the Audit Committee on this audit qualification

The Board and the Audit Committee acknowledged the views of the Auditor regarding the deconsolidation of the Deconsolidated Subsidiaries. After examining the evidence and documents available in relation to the loss of control of the Deconsolidated Subsidiaries, the Board and the Audit Committee were satisfied that the incident was caused by the improper and unlawful conduct and acts carried out by some of the members of the senior management of the Deconsolidated Subsidiaries intentionally neglecting the order and authority of the Group's management and the Board. The deconsolidation is beyond the control and without any fault of the Company and its Directors, the majority of which only joined the Company in or after December 2019.

Action plan of the Group to address this audit qualification

The Group will continue to make all lawful efforts to enforce and protect its shareholders' right. After consulting the Company's legal adviser as to the PRC laws, the Board is given to understand that the Company has reasonable prospects in using legal means to uphold the Company's right with the view to regaining control of the Deconsolidated Subsidiaries through the convening of shareholders' meeting to change the legal representative, supervisors and directors of the Deconsolidated Subsidiaries, and retrieving the necessary documents and information of the Deconsolidated Subsidiaries, and file criminal complaints if any wrong-doers in the senior management of the Deconsolidated Subsidiaries are identified to have, for instance, willfully breached their fiduciary duties to the Deconsolidated Subsidiaries. According to the Company's legal advisers as to the PRC laws, the Company has legitimate grounds in (i) regaining control of the Deconsolidated Subsidiaries through the convening of shareholders' meeting to change the legal representative, supervisors and directors of the Deconsolidated Subsidiaries; (ii) taking civil actions to obtain and demand the production of the relevant books and records; (iii) obtaining an order from the court to compulsorily demand the production of the relevant books and records in case the management of the Deconsolidated Subsidiaries refuse to cooperate with the Company and the court in producing the relevant books and records; and (iv) taking civil actions and obtaining indemnifications from the wrong-doers based on the rights of the Company as shareholder of the Deconsolidated Subsidiaries. The Group is currently contemplating initiating civil actions against the Deconsolidated Subsidiaries in the second half of 2020 if its attempt to exercise its shareholder's rights fails. According to the Company's best estimation, these actions are expected to come to a conclusion in the second half 2021.

At the same time, to avoid the expenses of and uncertainties surrounding the initiation of civil actions, the Board is concurrently seeking an appropriate buyer engaged in distressed debt assets management to whom the Company can dispose of its entire equity interest in the Deconsolidated Subsidiaries as distressed assets on such terms and conditions which are fair and reasonable to the Company.

(ii) LIMITATION OF SCOPE ON INTEREST IN AN ASSOCIATE

Details of the basis of this audit qualification

The Group has obtained management accounts for the year ended December 31, 2019 from the associate company concerned (the “Associate”). However, as explained by the management of the Associate, due to the effect of the COVID-19 pandemic outbreak, the Associate was not able to arrange relevant personnel and resources for the Auditor to perform the necessary audit work. The Board finds the explanation offered by the management of the Associate unsubstantiated and unacceptable but it cannot obtain further information and clarification from the senior management of the Associate to ascertain the situation. Although subsequently the situation of COVID-19 in Beijing was improved, the Associate expressed that they were having liquidity problem in the first quarter in 2020 and was still uncooperative in arranging for the necessary audit work. A legal letter has been sent to the Associate requesting for all necessary information and documents. Up to the date of this report, the Group has not obtained sufficient financial information for audit work from the Associate.

As a result, the Auditor is not able to obtain sufficient information and explanations from the management of the Associate that are necessary for them to satisfy themselves as to whether the Group’s share of Associate’s results and impairment loss on interest in the Associate for the year and thus the carrying amount of the interest in an Associate included in the Group’s consolidated statement of financial position as at December 31, 2019 are fairly stated and whether the summarised financial information of the Associate as shown in the consolidated financial statements are properly disclosed. Due to the fact that the management of the Associate is not able to provide a forecast for a discounted cash flow preparation, the valuation of the Associate has been performed using asset approach, and an impairment amounted to HK$46.45 million was provided as a result.

The view of the Board and the Audit Committee on this audit qualification

The Board and the Audit Committee acknowledged the views of the Auditor regarding the limitation of scope on interest in an Associate. After examining the evidence and documents collected by the Company’s management regarding the limitation of scope on the interest of the Associate, the Board and the audit committee were satisfied that the incident was caused by the improper conduct and acts carried out by some of the members of the senior management of the Associate intentionally or unintentionally neglecting the order and authority of the Group’s management and the Board. The inability to gather sufficient audit evidence is beyond the control and without any fault of the Company and its Directors, the majority of which only joined the Company in or after December 2019.

Action plan of the Group to address this audit qualification

The Group will try to keep an open dialogue with the management of the Associate and continue to make all necessary lawful efforts, including but not limited to making a complaint to China Banking and Insurance Regulatory Commission, to uphold its legal rights and interest. After consulting with the Company's legal adviser as to the PRC laws, the Board is given to understand that the Company has reasonable prospect in exercising its rights as shareholder of the Associate to demand the management of the Associate to produce the relevant books and records and take civil actions to uphold the Company's right with the view to retrieving the necessary documents and information over the Associate if it refuses to cooperate with the Company. According to the Company's PRC legal advisors, based on the circumstances surrounding the incident, they are of the opinion that the Company has legitimate grounds in obtaining an order from court to compulsorily demand the production of the relevant books and records if the Associate refuses to cooperate with the Company and the court. The Group is currently contemplating to initiate civil actions against the Associate in the second half of 2020 if its attempt to exercise its shareholder's rights fails. According to the Company's best estimation, it is likely these actions will come to a conclusion in the second half of 2021.

At the same time, to avoid the expenses of and uncertainties surrounding the initiation of civil actions, the Board is concurrently exploring the possibility of divesting the equity stake to the major shareholder of the Associate in order to streamline the resources for new business development.

(iii) LIMITATION OF SCOPE ON TRADING OF SECURITY PRODUCTS AND PROVISION OF SECURITY SERVICES BUSINESS SEGMENT

Details of the basis of this audit qualification

As disclosed in the announcement of the Company dated June 30, 2020, due to the circumstances described therein, Dewe Kexin ceased to become a subsidiary of the Company. The management of Dewe Kexin failed to provide all the necessary information and documents for the audit works. Despite the management accounts and certain financial documents and contracts were provided, they did not constitute sufficient audit evidence for the Auditor to determine the accuracy and fairness of the subsidiary's financial statements.

The view of the Board and the Audit Committee on this audit qualification

The Board and the audit committee acknowledged the views of the auditor regarding the limitation of scope on Dewe Kexin. After examining the evidence and documents regarding the limitation of scope on the financial information of Dewe Kexin, the Board and the audit committee were satisfied that the inability to gather sufficient audit evidence is beyond the control and without any fault of the Company and its Directors, the majority of which only joined the Company in or after December 2019.

(iv) LIMITATION OF SCOPE ON IMPAIRMENT OF LOAN RECEIVABLES AND TRADE RECEIVABLES

Details of the basis of this audit qualification

Since the management takeover in late 2019, the loan portfolio under the Group's advancing business has been under cautious review and assessment. During the first half of 2020, demand letters have been sent to the borrowers by the Group's legal representative, but the Group received neither reply nor repayment from any borrowers. In view of the status of the overdue loans, the loss of contact of the borrowers, and difficulty to enforce the underlying pledged assets and personal guarantees located in Mainland China, the collectability of the loans was doubtful and the management made a full impairment provision against the outstanding amount of the loan portfolio. However, the Auditor is of the views that since no valuation on the underlying pledged assets and no sufficient audit evidence obtained for credit risk assessments over the borrowers and guarantors were performed, they could not obtain sufficient audit evidence that the full impairment on the loan portfolio provided by the management reflects fairly the recoverability of the loans.

The view of the Board and the Audit Committee on this audit qualification

The Company's management has consulted legal professional in both Mainland China and Hong Kong on the enforceability of the loan agreements and underlying pledged assets and personal guarantees. It was advised that (i) one of the borrowers has already filed bankruptcy in the PRC; (ii) validity of the personal guarantees provided by the two guarantors were uncertain; and (iii) some pledges may require sophisticated and costly legal procedures to realise. Due to the fact that most of the pledged assets are unlisted equity stakes in Mainland China companies, the management is given to understand that, even the pledges could be legally enforced, the chance to dispose of and realise the pledged assets is remote.

At the same time, to avoid the expenses of and uncertainties surrounding the initiation of legal actions for enforcing the repayment, personal guarantees and pledged assets, the Board is concurrently exploring the possibility of divesting the loan receivables to distressed assets management company on such terms and conditions which are fair and reasonable to the Company.

Action plan of the Group to address this audit qualification

The Group will continue to seek legal advice from both Hong Kong and Mainland China legal advisors and try to enforce the rights under the loan agreements. At the same time, to avoid the expenses of and uncertainties surrounding the initiation of civil actions, the Board is concurrently seeking an appropriate buyer engaged in distressed debt assets management to whom the Company can dispose of loan receivables and/or the pledged assets as distressed assets on such terms and conditions which are fair and reasonable to the Company. If the Company is able to complete the aforesaid disposal or realization of the pledged asset before December 31, 2020, it is currently expected the basis of this audit qualification to the Company's financial statements for the year ended December 31, 2019 will not be carried forward to the year ending December 31, 2020.

Notwithstanding the above, the Board will continue to make all lawful efforts to protect and uphold rights and interests of the Company where necessary, take all reasonable steps to resolve these audit matters and work with the Company's auditor closely to see if the disclaimer of opinion has any carry-over effect to the Company's financial statements for the year ending December 31, 2020. Should all the above issues being resolved on or before end of 2020, the Group expects that the above disclaimer of opinion would only affect the opening balances of the consolidated financial statements for the year ending December 31, 2020 and the amount and allocation of profit or loss on the impaired assets between the two financial years 2019 and 2020. For the year ending December 31, 2021, it is expected that qualifications will only be on the comparative figures of the consolidated financial statements. Should everything spell out as planned, all the qualifications will be removed in the consolidated financial statements for the year ending December 31, 2022.

FINANCIAL SUMMARY

The financial results and the assets and liabilities of the Group for the last five years are summarised as follows:

Results	**Year ended December 31, 2019 HK$'000**	Year ended December 31, 2018 HK$'000	Year ended December 31, 2017 HK$'000	Year ended December 31, 2016 HK$'000	Year ended December 31, 2015 HK$'000
Revenue	**135,613**	66,933	176,728	122,128	67,360
Loss before tax	**(383,826)**	(102,899)	(141,133)	(113,095)	(64,760)
Income tax credit/(expenses)	**428**	(432)	(1,827)	–	–
Loss for the year	**(383,398)**	(103,331)	(142,960)	(113,095)	(64,760)
Attributable to:					
— Equity shareholders of the Company	**(380,376)**	(103,031)	(141,274)	(113,355)	(64,182)
— Non-controlling interests	**(3,022)**	(300)	(1,686)	260	(578)
	(383,398)	(103,331)	(142,960)	(113,095)	(64,760)

	As at December 31, 2019 HK$'000	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000	As at December 31, 2016 HK$'000	As at December 31, 2015 HK$'000
Assets and liabilities					
Total assets	**151,022**	522,279	525,575	625,075	359,801
Total liabilities	**(252,340)**	(229,661)	(167,841)	(142,103)	(51,415)
Total equity	**(101,318)**	292,618	357,734	482,972	308,386