Power Financial Group Limited
權威金融集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock code : 397)

2019 Annual Report

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Profiles of Directors and Senior Management	14
Report of the Directors	17
Corporate Governance Report	24
Independent Auditor's Report	36
Consolidated Statement of Profit or Loss and Other Comprehensive Income	42
Consolidated Statement of Financial Position	44
Consolidated Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	48
Notes to the Consolidated Financial Statements	50
Five Year Financial Summary	138

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Choi Chun Chung, Danny
(Chairman and Chief Executive Officer)
Mr. Sit Sai Hung, Billy

Independent Non-executive Directors
Mr. Wong Kun To
Mr. Chu Hau Lim
Ms. Lim Xue Ling, Charlene

AUDIT COMMITTEE

Mr. Chu Hau Lim *(Chairman)*
Mr. Wong Kun To
Ms. Lim Xue Ling, Charlene

REMUNERATION COMMITTEE

Mr. Wong Kun To *(Chairman)*
Mr. Choi Chun Chung, Danny
Mr. Chu Hau Lim
Ms. Lim Xue Ling, Charlene

NOMINATION COMMITTEE

Mr. Choi Chun Chung, Danny *(Chairman)*
Mr. Wong Kun To
Mr. Chu Hau Lim
Ms. Lim Xue Ling, Charlene

COMPANY SECRETARY

Mr. Siu Kam Chau

AUDITORS

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3910–13, 39/F
COSCO Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

Dah Sing Bank Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.powerfinancial.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Power Financial Group Limited (the "Company"), I am pleased to present the annual report of the Company for the year ended 31 December 2019 (the "Year").

2019 was a year of severe challenge to the world economy and private enterprises. In the world arena, Sino-US trade war, the threat of a no-deal Brexit, as well as the slowdown in economic growth in Mainland China impacted on both consumption and investment sentiments around the world.

Hong Kong was not only plagued by deteriorated economic performance, over six months of social disturbance and deepened political dispute also contributed to the volatility of the local commercial and financial markets.

The Group's management committed substantial effort, during the Year, to revitalize the Group's various businesses: In addition to engaging industry experts to strengthen operation management, the Group also realigned its resources, with more emphasis placed on money lending business which generated favorable return to the Group. Money lending business has built up a wide and solid client base generating satisfactory profit, the revenue for this segment was approximately HK$48,274,000 (2018: HK$20,340,000) and the Group expects this segment to continue generating sustainable income in the coming future.

The Group's broadened income base helped to significantly enhance overall revenue, which in turn contributed to the Group's resumption of profitability at operating level. The net loss attributable to owners of the Company during the Year significantly narrowed to approximately HK$71,651,000 (2018: HK$500,918,000 (restated)).

During the Year, the Group's performance demonstrated healthy improvement when compared with that in the previous year. The management's measures to revamp the Group's business strategy allowed it to secure more stable and favorable income amidst a volatile financial market.

Under a softened economy, there were growing demands for the Group's money lending operations, enabling them to grow to become the Group's major source of income and operating profit during the Year.

The Group's restructuring of its financial services operations resulted in strengthened internal control and risk management, as well as a reinforced talent pool. However, the highly competitive market environment hindered the development of the Group's equity capital market and securities brokerage businesses. Despite an upsurge in revenue and narrowed loss from these operations, contribution from this business segment only accounted for a fraction of the Group's overall results.

A diversified bond portfolio continued to generate stable interest income for the Group during the Year. In addition, loss arising from fair value changes of the Group's financial assets at fair value through profit or loss declined significantly to approximately HK$68,884,000 during the Year (2018: HK$389,366,000 (restated)). The abovementioned factors contributed to substantial retreat in loss from the Group's assets investment segment.

CHAIRMAN'S STATEMENT

In light of a volatile securities market and cut-throat competition in the financial sector, the Group adopted even more stringent measures in ensuring regulatory compliancy and capital safety. Most of the Group's granted loans were fully secured by collaterals. Strict credit control and customer credit scrutiny were applied to minimize the Group's credit risk exposure.

The outbreak of coronavirus in mainland China at the beginning of 2020 and the spread of the epidemic to other parts of world have put enormous pressure on a fragile world economy. While it is hard, at this moment, to put in perspective about the extent and depth of the epidemic's impact. Major financial markets have already been shaken by concern of near-term economic drawback.

The Group will maintain its prudent approach in evaluating new investment and cautiously manage its existing loan and bond portfolios. On the other hand, a downward economy may present opportunities for the Group's business diversification though merger and acquisition at relatively lower cost. The Group will remain vigilant to the challenge as well as opportunities arisen from a market with enormous uncertainty.

Over the past two years, the Group managed to consolidate its resources and to resume its business growth momentum through expansion of existing businesses. We would not have achieved these objectives without the understanding and support of our shareholders, fellow Board members and staff at all levels, I would therefore like to extend my heartfelt gratitude to their faith in our management. The Board and myself will continue to seek to maximizing shareholders' value while maintaining healthy corporate development.

Choi Chun Chung, Danny
Chairman and Chief Executive Officer
30 March 2020

FINANCIAL REVIEW

For the year ended 31 December 2019 (the "Year"), Power Financial Group Limited (the "Company") and its subsidiaries (together the "Group") recorded a revenue of approximately HK$84,172,000 (2018: HK$41,613,000). Approximate 102.27% upsurge in revenue was principally attributable to significantly increased interest income from money lending and assets investment segments.

During the Year, the Group enjoyed stable interest income from its matured and diversified bond and loan portfolios which offered higher effective interest rate. A healthy income stream along with (i) reduced loss arising on fair value changes of financial assets at fair value through profit or loss of approximately HK$68,884,000 (comprising realised losses and unrealised losses) (2018: HK$389,366,000 (restated)); and (ii) absence of impairment loss on amounts due from associates during the Year (2018: HK$37,335,000), the Group's net loss attributable to owners of the Company sliced by approximately 85.70% to approximately HK$71,651,000 (2018: HK$500,918,000 (restated)).

The aforesaid unrealised losses and impairment loss were non-cash in nature and did not have any significant impact of the cash flows of the Group. The Group was still in a strong cash position, as at 31 December 2019, with bank balances and cash of approximately HK$389,225,000 (2018: HK$224,543,000).

BUSINESS REVIEW

The Year was clouded by uncertainties and issues of international concern. The Sino-US trade dispute, the risk of a no-deal Brexit and a slow-down in Chinese economic growth, all contributed to volatility in the world economy. On the domestic front, the Hong Kong market was further plagued by over six months' social disturbance.

The local financial sector remained volatile during the Year. Severe fluctuation in stock index and prices of individual shares led to more cautious investment sentiment. Acceleration in peer competition and ever lowering brokerage commission constituted formidable challenge to players in the financial services market, in particular the brokerage services industry.

In light of the deteriorated market environment, the Group swiftly adjusted its operation strategy and realigned its resources to interest-income businesses which offered more reliable and stable return.

Financial Services

The Group's financial services business covers securities brokerage, margin financing and corporate finance advisory services. The Group continued to rejuvenate this business segment through tightened compliance and risk control management. A more prudent approach in assessing and approving margin financing, led to shrinkage in income from this activity. During the Year, this business segment generated a revenue of approximately HK$8,104,000 (2018: HK$7,396,000) and reported an operating loss of approximately HK$26,902,000 (2018: HK$24,072,000).

Commission income from securities brokerage was under the impact of a sluggish stock market and severe competition. To broaden the income source of the financial services business, the Group had been actively seeking opportunities for advising equity capital market business including acting as placing agent and underwriter. However, the Group's effort was diminished by adverse investment sentiment and volatile capital market environment. As such, there was a relatively low level of activity performed by this business segment during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Money Lending

The Group's money lending business was conducted through its wholly-owned subsidiary, E Finance Limited. The Group maintained a sizable loan portfolio offering healthy effective interest rates. The Group's money lending business covered the provision of property mortgage loans (including first mortgage, second mortgage and sub-mortgage loans), share mortgage loans and guaranteed loans to individuals and corporations with good credit records in Hong Kong. Most of the Group's loans were fully secured by sufficient collaterals.

A more demanding business environment and tightened credit condition in the commercial sector provided an opportunity for the Group to substantially expand its money lending business. The outstanding loans and interest receivables of the Group as at the end of the year amounted to approximately HK$363,490,000, the majority of which is expected to be settled within 1 year.

An enlarged loan portfolio with soared interest income leading to favorable improvement in the business segment's revenue and operative performance. Interest income from the Group's money lending business during the Year amounted to approximately HK$48,274,000, representing a hike of approximately 137.34% from that of the previous year. Operating profit of money lending business amounted to approximately HK$30,248,000, which was approximately 152.68% higher than that of the previous year.

Revenue contributed from the money lending business segment accounted for approximately 57.35% of the Group's overall revenue. This business segment was a major driving force behind the Group's turnaround in performance, and a significant cash flow provider to fuel the Group's operation.

Assets Investment

The Group's assets investment comprised a portfolio of funds, securities and bond investments. After aggressive measures taken by the Group to revamp this business segment, it displayed continued improvement in performance. The loss arising on fair value changes of financial assets at fair value through profit or loss during the Year significantly decreased to approximately HK$68,884,000 as compared to that of approximately HK$389,366,000 (restated) in the previous year.

The Group made no further securities investments during the Year, and was in the process of assessing its strategy for its existing securities investments.

The Group's bond portfolio mainly composed of listed corporate bonds issued by listed companies and reputable institutions with fair value of approximately HK$319,025,000 as at 31 December 2019.

Interest income generated from bond investments during the Year amounted to approximately HK$27,794,000, increased by approximately 100.29% than that of the previous year. As at 31 December 2019, the outstanding bonds bore an interest rate ranging from 4.7% to 12% (2018: 4% to 11%) per annum. This healthy and stable interest income contributed to the significant reduction in this business segment's operating loss, which dropped by approximately 83.13% year on year to approximately HK$69,005,000.

Significant Investments

As at 31 December 2019, the Group's financial assets at fair value through profit or loss amounted to approximately HK$249,128,000 (2018: HK$420,696,000 (restated)), including (a) equity securities of approximately HK$150,673,000; (b) unlisted investment funds of approximately HK$86,750,000; and (c) listed bond investments of approximately HK$11,705,000 respectively.

As at 31 December 2019, the Group's portfolio of financial assets at fair value through profit or loss comprised (a) 4 equity securities listed in Hong Kong; (b) 4 unlisted investment funds; and (c) 1 bond investment listed in Europe.

For the 4 listed equity securities, 3 of which accounted for approximately 1.10% of the Group's audited consolidated total assets as at 31 December 2019 and the remaining 1 accounted for approximately 9.41% of the Group's audited consolidated total assets as at 31 December 2019. For the 4 unlisted investment funds and 1 listed bond investment, each of which accounted for approximately 0.63% to 2.78% of the Group's audited consolidated total assets as at 31 December 2019.

As at 31 December 2019, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$307,320,000 (2018: HK$343,378,000 (restated)), all of which are listed bond investments.

As at 31 December 2019, the Group's portfolio of financial assets at fair value through other comprehensive income comprised 38 bond investments listed in Hong Kong or Singapore, each of which accounted for approximately 0.07% to 1.27% of the Group's audited consolidated total assets as at 31 December 2019.

The Directors considered that investments with a carrying amount that account for more than 5% of the Group's audited consolidated total assets as at 31 December 2019 as significant investments.

Financial assets at fair value through profit or loss

Description of investments	Brief description of the business	Market value of investments as at 31 December 2019 (HK$'000)	Market value of investments as at 31 December 2018 (HK$'000)	Number of shares held as at 31 December 2019 ('000)	Number of shares held as at 31 December 2018 ('000)	Approximate percentage of shareholding in the investee as at 31 December 2019	Approximate percentage of shareholding in the investee as at 31 December 2018	Approximate percentage of the Group's audited consolidated net assets as at 31 December 2019	Approximate percentage of the Group's audited consolidated net assets as at 31 December 2018	Dividends received during the Year (HK$'000)	Interest income during the Year (HK$'000)	Funds returns received during the Year (HK$'000)	Realised gain/(loss) during the Year (HK$'000)	Unrealised gain/(loss) during the Year (HK$'000)
Significant investments														
Listed securities investments in Hong Kong														
Town Health International Medical Group Limited (stock code: 3886)	Provision of medical and dental services in Hong Kong; managing healthcare networks and provision of third party medical network administrator services in Hong Kong; provision of medical and dental services, as well as hospital management and related services in the People's Republic of China ("PRC"); provision of miscellaneous healthcare related services, trading of listed securities and leasing of properties	**134,952**	178,002	**674,762**	674,762	**8.97%**	8.97%	**9.75%**	12.32%	1,687	–	–	–	(43,050)
Other investments														
Other listed securities investments*		**15,721**	43,733							155	–	–	(2,097)	(16,751)
Unlisted investment funds#		**86,750**	172,692							169	–	8,806	7,214	(15,286)
Listed bond investments		**11,705**	26,269							–	1,260	–	538	548
Grand total for the financial assets at fair value through profit or loss		**249,128**	420,696							2,011	1,260	8,806	5,655	(74,539)

* Other listed securities investments mainly comprise the Group's investments in 3 companies whose shares are listed on the Main Board of the Stock Exchange. Each of the investments has a carrying amount that accounted for not more than 5% of the Group's audited consolidated total assets as at 31 December 2019.

The unlisted investment funds comprise 4 different private funds. The business/investment sector of the unlisted investment funds mainly relates to various industries including, but not limited to, companies in consumer goods, retail, medical and health services, and internet-related and mobile-application-related industries.

Financial assets at fair value through other comprehensive income

Description of investments	Market value of investments as at 31 December 2019 (HK$'000)	Market value of investments as at 31 December 2018 (HK$'000)	Interest income during the Year (HK$'000)	Gain on disposal during the Year (HK$'000)	Fair value changes recognised through other comprehensive income during the Year (HK$'000)	Impairment loss recognised during the Year (HK$'000)
Listed bond investments*	**307,320**	343,378	26,534	4,604	(8,756)	(11,582)
Grand total for the financial assets at fair value through other comprehensive income	**307,320**	343,378	26,534	4,604	(8,756)	(11,582)

* The bond investments comprise 38 different bonds issued by companies listed in Hong Kong or the PRC and reputable institutions in the PRC. The business/investment sector of the bonds investments mainly relates to various industries including, but not limited to property development and investment in Hong Kong and the PRC.

Performance and future prospects of significant investments under financial assets at fair value through profit or loss

The Directors would like to provide additional information on the Group's significant investments under financial assets at fair value through profit or loss as follows:

As at 31 December 2019, the Group held 674,762,000 shares of Town Health International Medical Group Limited ("Town Health"), which represented approximately 8.97% of the issued shares of Town Health as at 31 December 2019; and the aggregate carrying amount of such investment was approximately HK$134,952,000, representing approximately 9.41% of the Group's audited consolidated total assets as at 31 December 2019 and approximately 9.75% of the Group's audited consolidated net assets as at 31 December 2019.

During the Year, the Group received a final dividend of HK$0.25 cents per ordinary share of Town Health in respect of the year ended 31 December 2018 amounting to approximately HK$1,700,000. For the Year, the Group recorded a fair value loss of approximately HK$43,050,000 for its investment in Town Health.

With regards to the performance, material factors underlying the results and financial position, significant events and the future prospects of Town Health, details of which are disclosed in the Town Health's announcement of annual results for the Year dated 26 March 2020.

As disclosed in Town Health's announcement dated 18 December 2017, the board of Town Health has established an independent board committee, comprising all the independent non-executive directors, to conduct an independent investigation into the issues and matters arising from or relating to the trading suspension, to make recommendations to its board on appropriate actions to be taken, and to work towards the goal of having the shares resumed trading on the Stock Exchange. Details of update on progress of trading in the shares of Town Health are disclosed in Town Health's announcements dated 18 December 2017, 11 July 2018, 1 August 2018, 5 November 2018, 31 January 2019, 30 April 2019, 1 August 2019, 31 October 2019 and 10 January 2020.

Town Health is proactively seeking external legal advice with regard to the resumption of trading in the shares of Town Health on the Stock Exchange.

General analysis of the Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The global financial market remains extremely volatile and it is difficult to accurately assess the full economic impact of the coronavirus epidemic at this moment.

The fluctuation in the local stock market is likely to further affect the value of the Group's financial assets at fair value through profit and loss and through other comprehensive income. The Group will stay alert of the rapidly changing market environment, and closely monitor price movement of equities under its portfolios and transaction of such equity and debt instruments, to effectively control its exposure. The Group aims to promptly adjust its investment portfolio in response to changing market situation, and will maintain a cautious approach in considering any investment opportunities.

Material acquisition and disposal of subsidiaries and affiliated companies

The Group did not have any material acquisition or disposal of subsidiaries and affiliated companies for the Year.

Management of risks and uncertainty

The principal risks and uncertainties of the Group which might have significant impact to the Group's financial performance and conditions include, among others: (i) changes in laws and regulations relating to licensed corporations, such as Money Lenders Ordinance and Securities and Futures Ordinance; (ii) credit risk of loan portfolios; and (iii) market risk of the investments in financial assets.

The Group's risk management involves both clearly defined perimeter and procedures for investment assessment and approval, as well as stringent internal control and supervision mechanisms. The Group's overall liquidity and major financial guidances are under close surveillance to ensure a safe and healthy financial position.

A designated team is constantly examining and enforcing regulatory and corporate procedural compliance. The Group's internal risk control guidelines and measures are regularly reviewed and updated to cope with latest changes in the capital market environment and legislative requirements.

Credit control and financing approval are of utmost importance to the Group's exposure management. The granting of loans is subject to loan committee's stringent scrutiny, including applicant's financial position review, credit rating and record search, and collateral valuation. Granted facilities and borrowers' credit exposure are under close monitoring. Senior executives are assigned to supervise the recovery of due loans. Any serious default or irregularities in operation are required to be immediately reported to the management for timely action.

In formulating its investment and corporate development strategies, the Group pays attention to the recent development in the global economy and world financial markets. The coronavirus outbreak and deteriorating international trading environment post severe challenges to corporations abroad and at home. The domestic capital market is not only impacted by the above factors but also a slowdown Chinese economy and pessimistic investment sentiment. In reaction to an adverse market situation, the Group will uphold its prudent approach in maintaining a healthy cash flow and tightening its credit control in financing.

The Group's effort in broadening its income sources has gained initial success with the establishment of diversified portfolios of loans and bond investment. The Group aims to further widen its investment composition to secure a more balanced mix of short to medium and long-term returns, as well as a rational distribution of loans and investments for stable fixed income and capital gain.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

The prospects of 2020 are blurred by various factors, hindering corporations' ability to have accurate assessment of their operating environments. The outbreak of coronavirus in Mainland China and its spread to the rest of the world cause both health and economic concerns around the globe. The epidemic is not only a major blow to the world economy, it also brings the international supply chain to a temporary standstill. There are also uncertainties about the effective implementation of the Sino-US trade deal, and the US presidential election's impact on world political and economic landscapes.

Although the full impact of the epidemic is yet to be unveiled, the world financial markets are making their assumptions, which are demonstrated in recent plummet of leading stock markets.

Barring the effect of the coronavirus outbreak, the Chinese economic growth is already on a downslope path. China's GDP growth for 2020 is estimated to be in the range of 5% to 6%. Given the close association between the economic developments of Hong Kong and mainland China, the local investment environment is bound to be adversely affected. In light of such arduous macro environment, we expect the local financial sector to remain challenging in 2020.

It is becoming even more imperative for the Group to maintain its rigorous measures to minimize operation exposure and to ensure capital liquidity. In addition to enforcement of its strict internal control and regulatory compliance, the Group adheres to its rigid investment discipline of maintaining diversified business portfolios with balanced distribution of capital and resources.

Following the restructuring of the financial services operations, the Group is gradually building up a seasoned professional team to seize business opportunities from capital market advisory and secondary stock market distribution. However, under a relatively demanding industry environment, the team would need some time to establish their credential for further market penetration.

A deteriorating commercial environment and tightening financing from large institutions are expected to create additional demand for the Group's money lending business. The Group will continue its judicious and vigilant approaches in expanding its loan portfolio.

In anticipation of a low interest rate environment amid slowdown in global economic growth and continued economic woe, the bond market is expected to become a haven for capital seeking stable return. The Group will consider to rationally adjust the direction of its bond investments, in order to cope with the market changes.

Under a volatile and unpredictable market environment, the Group will stay alert of latest development in the world and domestic economic arenae. It will maintain the agility of its resources for swift response to changing circumstances and upcoming opportunities.

In order to expand the scope of its business, and bring new dynamics for revenue growth, the Group will continue to seek potential investment and business opportunities for further development of the existing business segments.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group held bank balances and cash of approximately HK$389,225,000 (2018: HK$224,543,000). Net current assets amounted to approximately HK$1,034,024,000 (2018: HK$1,037,949,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 21.44 times (2018: 17.85 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 3.54% (2018: 6.41%).

As at 31 December 2019, the Group had outstanding borrowings of approximately HK$20,800,000 (2018: HK$37,400,000). The borrowings are unsecured and carry an interest of 7% (2018: 7%) per annum and repayable in accordance with the relevant loan note certificates. As the Group's bank balance and cash and borrowings were mainly denominated in Hong Kong dollars and United States dollars, there is no material risk in exchange rate fluctuation.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019, assets of the Group were not charged to any parties (2018: Nil).

CAPITAL COMMITMENT

Details of capital commitment are stated in Note 35 to the consolidated financial statements.

EVENT AFTER THE REPORTING DATE

Details of significant event after the reporting date are stated in Note 42 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed 24 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Group is committed to supporting the environmental sustainability. It enhances the business sustainability by doing well for our customers and to provide them with security and reliable services. It also operates the business with the highest standard of corporate governance, caring the staff and protecting the environment. In recent years, the Group has implemented several policies to encourage employees for saving energy and paper. All these policies aim at reducing resources and saving costs which are beneficial to the environment and meet the commercial goals of the Group. During the Year, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group as far as the Board is aware. The Company understands that employees, customers and suppliers are key elements to the success of the Group's business. The Group provides competitive remuneration package to motivate and retain quality staff and the Group is committed to maintaining a safe and healthy workplace for our staff. The Group has established good relationship with customers and suppliers which will enable the Group to achieve its business goals. A report on the environmental, social and governance aspects is prepared in accordance with Appendix 27 to the Listing Rules to be issued within three months after the publication of this annual report.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Choi Chun Chung, Danny, aged 58, appointed as the chairman of the Board, a non-executive Director, the chairman of the nomination committee of the Board ("Nomination Committee") and a member of the remuneration committee of the Board ("Remuneration Committee") on 3 November 2017. Mr. Choi has been re-designated as an executive Director and appointed as the chief executive officer of the Company with effect from 2 January 2019 and continues to act as the chairman of the Board, the chairman of Nomination Committee and a member of Remuneration Committee. He is also a director of various subsidiaries of the Company.

Mr. Choi is currently a member of the Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference, the permanent chairman of the Federation of HK Guangxi Qinzhou Organisations Limited, the vice-chairman of the Federation of HK Guangxi Community Organisations and the honorary chairman of the Yuen Long Sports Association.

Mr. Choi has extensive experience in the wholesaling of diamonds and jewellery. He was employed by Wing Hang Company from 1979 to 1990. Wing Hang Company was principally engaged in wholesaling of diamonds and jewellery in Hong Kong. Since 1991, he has been a director of Diamond Outline Limited whose business includes wholesaling of diamonds and jewellery products worldwide.

Mr. Sit Sai Hung, Billy, aged 63, was appointed as an executive Director with effect from 31 August 2017. He is also a director of various subsidiaries of the Company.

Mr. Sit obtained the degree of a Bachelor of Social Science at The Chinese University of Hong Kong in 1981, a Diploma in Surveying at The College of Estate Management in 1996 and a Master of Law degree at Peking University in 2002. Mr. Sit also completed the Merchant Banking Program at the School of Business Administration of University of Washington in 1994. Mr. Sit has been working in the banking and financial related sector for more than 33 years.

Mr. Sit is currently an independent non-executive director of China Trustful Group Limited, a company whose shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 8265).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Kun To, aged 63, was appointed as an independent non-executive Director with effect from 20 October 2017. He is also the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Board.

Mr. Wong has over 27 years of experience in property development, investment and construction management. He started his career in the Shui On Group as a graduate engineer and worked for the Shui On Group from 1979 to 1992 to the position of deputy general manager. He rejoined the Shui On Group in 2006 to oversee the property division of SOCAM Development Limited ("SOCAM Development"), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 983), and successfully led a number of property acquisitions and transactions. During the period from July 2009 to June 2013, Mr. Wong has served SOCAM Development in various roles which included executive director, chief executive officer and managing director. Mr. Wong was subsequently re-designated as a non-executive director of SOCAM Development in July 2013 and he had served in such role until May 2015.

Mr. Wong was also an executive director and the managing director of Shui On Land Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 272), from January 2014 to June 2015. He was also the chief executive officer of China Xintiandi Limited, a wholly-owned subsidiary of Shui On Land Limited, from July 2013 to September 2015.

Mr. Wong holds a Bachelor of Engineering degree, and is a member of the Dalian Municipal Committee of the Chinese People's Political Consultative Conference and the Hong Kong Institution of Engineers.

Mr. Chu Hau Lim, aged 54, has been an independent non-executive Director since 29 September 2017. He is also the chairman of audit committee and a member of remuneration committee and nomination committee of the Board. Mr. Chu is mainly responsible for providing independent advice to the Board. Mr. Chu is a qualified accountant and holds an MBA degree from The Heriot-Watt University, UK. Mr. Chu has over 30 years of experience in auditing and business advisory services as well as corporate finance and financial management work.

Ms. Lim Xue Ling, Charlene, aged 32, was appointed as an independent non-executive Director with effect from 20 October 2017. She is also a member of the audit committee, remuneration committee and nomination committee of the Board.

Ms. Lim possesses more than 10 years of experience in internal controls and financial planning. Ms. Lim has been the cluster controller at Coats Shenzhen Limited since 2015. During the years from 2009 to 2013, she also worked in one of the major international accounting firms as a senior auditor where she accumulated experience in external audit and assurances.

She is an associate member of the Institute of Singapore Chartered Accountants. She holds a Bachelor of Accountancy degree from Nanyang Technological University, Singapore.

SENIOR MANAGEMENT

Mr. Siu Kam Chau, aged 55, currently the company secretary of the Company. He is also a director of various subsidiaries of the Company. He joined the Group in 2006. Mr. Siu graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (practising) in Hong Kong. Mr. Siu has over 30 years of working experience in auditing, accounting, company secretarial and corporate finance. Mr. Siu is currently an independent non-executive director of Wang On Group Limited (stock code: 1222) and Deson Development International Holdings Limited (stock code: 262), both of which are companies listed on the Main Board of the Stock Exchange.

Mr. Ho Chun Kit, aged 45, currently a director of Power Securities Company Limited ("Power Securities"), a subsidiary of the Company. He is currently licensed with Securities Futures Commission as a responsible officer of Power Securities for Type 1 (dealing in securities). Mr. Ho holds a bachelor's degree in business administration conferred by Lingnan University in Hong Kong. He also obtained the Certified Financial Planner certification in 2008. Mr. Ho has over 22 years of experience in the financial services industry. His experience covers areas of back office settlement, front office dealing, internal control, compliance and risk management. He joined the Group in October 2014.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Power Financial Group Limited (the "Company") present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in Note 39 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance by principal activities and geographical locations of operations for the Year is set out in Note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 42 and 43 of this annual report. The financial positions of the Company and of the Group as at 31 December 2019 are set out in the Note 43 to the consolidated financial statements and on pages 44 and 45 of this annual report respectively.

The Directors do not recommend the payment of a dividend for the Year (2018: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the past five financial years is set out on page 138 of this annual report.

DONATIONS

Charitable donations made by the Group during the Year amounted to HK$10,000 (2018: Nil).

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2019 are set out in Note 39 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the Year are set out in "Management Discussion and Analysis" on pages 5 to 13 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 16 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in Note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the Year, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company.

RESERVES

Details of movements in the reserves of the Group during the Year are set out on pages 46 and 47 of this annual report.

Details of movements in the reserves of the Company during the Year are set out in Note 43 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had no reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda (as amended). The contributed surplus may only be distributable in certain circumstances.

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the five largest customers in aggregate accounted for approximately 15.2% of the turnover of the Group. The largest customer accounted for approximately 3.6% of the turnover of the Group.

The Group had no major supplier due to the nature of the principal activities of the Group.

As far as the Directors are aware, none of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest at any time during the Year in any of the Group's five largest account executives and customers.

BORROWINGS

Details of borrowings of the Group are set out in Note 28 to the consolidated financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2019 are set out in Note 41 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the Year and up to the date of this report are:

Executive Directors

Mr. Choi Chun Chung, Danny *(Chairman and Chief Executive Officer)* (re-designated from non-executive Director to Executive Director and appointed as Chief Executive Officer with effect from 2 January 2019)

Mr. Sit Sai Hung, Billy

Mr. Wu William Wai Leung *(Chief Executive Officer)* (resigned with effect from 2 January 2019)

Independent Non-executive Directors

Mr. Wong Kun To
Mr. Chu Hau Lim
Ms. Lim Xue Ling, Charlene

In accordance with bye-law 99 of the Company's bye-laws and to comply with the requirements of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Mr. Choi Chun Chung, Danny, Mr. Sit Sai Hung, Billy and Mr. Chu Hau Lim will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election at the AGM.

The biographical details of the Directors as at the date of this annual report are set out in "Profiles of Directors and Senior Management" on pages 14 to 16 of this annual report.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of Directors and Senior Management are set out in Note 12 and Note 13 to the consolidated financial statements respectively. The Directors' remuneration package is determined by the remuneration committee of the board of Directors (the "Board") with reference to their responsibilities, the Company's remuneration policy and the prevailing market conditions.

Details of emoluments of the five highest paid individuals of the Group are set out in Note 13 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the AGM has a service contract/letter of appointment with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 38 to the consolidated financial statements, no transactions, arrangements or 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 any Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective close associates had an interest in a business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business during the Year that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

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

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as 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") were as follows:

Long positions in the shares of the Company

Name of Director	Capacity	Number of shares of the Company	Number of share options	Total Interests	Approximate % of the issued share capital of the Company as at 31 December 2019 (Note)
Mr. Choi Chun Chung, Danny	Beneficial owner	822,480,000	–	822,480,000	29.55%
Mr. Sit Sai Hung, Billy	Beneficial owner	–	27,830,000	27,830,000	1.00%

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executive of the Company had any interests 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) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Note: The percentage of the issued share capital of the Company is calculated with reference to the Company's number of shares in issue as at 31 December 2019.

SHARE OPTION SCHEME

(a) 2003 Share Option Scheme

The share option scheme adopted by the Company on 17 November 2003 (the "2003 Share Option Scheme"), for the primary purpose of providing incentives to Directors and employees. Under the 2003 Share Option Scheme, the Company may grant options to eligible persons, including Directors and directors of the subsidiaries of the Company, to subscribe for the shares of the Company.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 4 June 2013 (the "2013 AGM"), the Company terminated the 2003 Share Option Scheme. The share options granted under the 2003 Share Option Scheme prior to its termination shall continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

Particulars of the 2003 Share Option Scheme and details of movements of share options during the Year are set out in Note 30 to the consolidated financial statements.

(b) 2013 Share Option Scheme

A new share option scheme was approved and adopted by the Shareholders at the 2013 AGM (the "2013 Share Option Scheme"), for the primary purpose of providing incentives to Directors and employees. Under the 2013 Share Option Scheme, the Company may grant options to eligible persons, including Directors and directors of the subsidiaries of the Company, to subscribe for the shares of the Company.

Particulars of the 2013 Share Option Scheme and details of movements of share options during the Year are set out in Note 30 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save for the share option schemes of the Group as set out under the section headed "Share Option Scheme" of this report, no equity-linked agreement was entered into by the Group, or existed during the Year.

PERMITTED INDEMNITY PROVISION

The bye-laws of the Company provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty. The relevant bye-law was in force during the Year and as at the date of this report. The Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the directors and officers of the Company and its subsidiaries.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors or chief executive of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS

So far as is known to any Director or chief executive of the Company, as at 31 December 2019, the following persons (other than the Directors or chief executive of the Company) had interests or short positions 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, or as otherwise notified to the Company and the Stock Exchange:

Long positions in the shares of the Company

Name of Shareholder	Capacity	Number of shares of the Company	Approximate % of the issued share capital of the Company as at 31 December 2019 (Note 2)
China Mobile Games and Entertainment Group LTD.	Beneficial owner	176,994,000 (Note 1)	6.36%

Save as disclosed above and to the best knowledge of the Director or chief executive of the Company, as at 31 December 2019, no other person (other than the Directors or chief executive of the Company) had interests or short positions 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, or as otherwise notified to the Company and the Stock Exchange.

Notes:

(1) The number of shares held by the Shareholders have been adjusted as a result of the capital reorganisation (the "Capital Reorganisation") approved by the Shareholders at the special general meeting of the Company held on 5 April 2016 which involved, among other steps, (i) the share consolidation of 10 pre-consolidated shares into 1 share of HK$0.10 and (ii) the reduction of the share capital of the Company whereby the par value of each of the then issued consolidated shares of HK$0.10 each was reduced from HK$0.10 to HK$0.01 each by cancelling the paid-up capital of the Company to the extent of HK$0.09 on each of the then issued consolidated share and thereby creating the shares and the Capital Reorganisation became effective on 6 April 2016.

(2) The percentage of the issued share capital of the Company is calculated with reference to the Company's number of shares in issue as at 31 December 2019.

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 24 to 35 of this annual report.

AUDITOR

On 18 January 2017, Deloitte Touche Tohmatsu ("Deloitte") had been appointed as auditor of the Company to fill the casual vacancy following the resignation of HLB Hodgson Impey Cheng Limited.

The consolidated financial statements for the year ended 31 December 2016 were audited by Deloitte.

On 20 December 2017, BDO Limited ("BDO") had been appointed as auditor of the Company to fill the casual vacancy following the resignation of Deloitte.

The consolidated financial statements for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 were audited by BDO who will retire at the AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO as the auditor of the Company is to be proposed at the AGM.

Save for the above, there has been no other change in the auditor of the Company in any of the preceding three years.

On behalf of the Board

Choi Chun Chung, Danny
Chairman and Chief Executive Officer
30 March 2020

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of Power Financial Group Limited (the "Company") is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Company and its subsidiaries (the "Group") to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders (the "Shareholders") and creditors of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2019 (the "Year") save for the deviation from code provision A.2.1 while such deviation is explained in the relevant paragraphs below of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

As at the date of this annual report, the Board is comprised of five Directors including two executive Directors and three independent non-executive Directors. The biographical details of the Directors are set out in "Profiles of Directors and Senior Management" on pages 14 to 16 of this annual report.

The Board held eight meetings during the Year. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The executive Directors are delegated with the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent non-executive Directors provide their professional advices to the Group whenever necessary. The management, under the leadership of the Board, will be empowered to implement the Group's strategies and business objectives.

Composition of the Board, including names of the independent non-executive Directors, is disclosed in all corporate communications to the Shareholders. An updated list of Board members identifying their roles and functions is maintained on the websites of the Stock Exchange and the Company.

All the Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expense of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover for the Directors.

The attendance of each Director at the Board meetings and the general meetings of the Company during the Year are set out below:

Name of Directors	Number of meetings attended/eligible to attend: Board Meeting	General Meeting
Executive Directors		
Mr. Choi Chun Chung, Danny *(Chairman and Chief Executive Officer)* (re-designated as Executive Director and appointed as Chief Executive Officer with effect from 2 January 2019)	8/8	1/1
Mr. Sit Sai Hung, Billy	8/8	1/1
Mr. Wu William Wai Leung *(Chief Executive Officer)* (resigned with effect from 2 January 2019)	0/0	0/0
Independent non-executive Directors		
Mr. Wong Kun To	8/8	1/1
Mr. Chu Hau Lim	8/8	1/1
Ms. Lim Xue Ling, Charlene	7/8	1/1

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Year, the Directors participated in the following trainings:

Name of Directors	Reading written training materials, newspapers, and updates relating to the Listing Rules, general business or other relevant topics
Executive Directors	
Mr. Choi Chun Chung, Danny *(Chairman and Chief Executive Officer)* (re-designated as Executive Director and appointed as Chief Executive Officer with effect from 2 January 2019)	✓
Mr. Sit Sai Hung, Billy	✓
Mr. Wu William Wai Leung *(Chief Executive Officer)* (resigned with effect from 2 January 2019)	✓
Independent non-executive Directors	
Mr. Wong Kun To	✓
Mr. Chu Hau Lim	✓
Ms. Lim Xue Ling, Charlene	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Prior to 2 January 2019, Mr. Choi Chun Chung, Danny ("Mr. Choi") is the chairman of the Board (the "Chairman") and Mr. Wu William Wai Leung ("Mr. Wu") is the chief executive officer of the Group ("Chief Executive Officer"), they have segregated and clearly defined roles. The Chairman provides leadership for the Board. The Chief Executive Officer has responsibility for the Group's business development and daily management generally.

With effect from 2 January 2019, Mr. Wu has resigned as an executive Director and the Chief Executive Officer. Following the resignation of Mr. Wu, Mr. Choi has been re-designated as an executive Director and appointed as the Chief Executive Officer with effect from 2 January 2019. Mr. Choi continues to act as the Chairman.

Although Mr. Choi's acting as the Chairman and the Chief Executive Officer concurrently deviates from the code provision A.2.1 of the CG Code, the Board believes that, after evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Choi, (i) it is appropriate and in the interests of the Company at the present stage for Mr. Choi to hold both positions as the Chairman and the Chief Executive Officer as it helps to maintain the continuity of the policies and the stability of the operations of the Company; and (ii) such practice will not impair the balance of power and authority under the present arrangement and will be adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 3.10 of the Listing Rules, the Company has three independent non-executive Directors, one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual written confirmation of independence from each of the independent non-executive Directors pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent.

During the Year, each of the non-executive Directors was appointed for a specific term of one year and is subject to retirement by rotation at least once every three years. Retiring Directors are eligible for re-election at the annual general meetings of the Company.

REMUNERATION COMMITTEE

The Board has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Remuneration Committee are, taking into consideration of the company's operation results, individual performance and comparable market statistics to formulate the Company's remuneration policy and recommend remuneration packages for the Directors and senior management of the Company to the Board for approval. The Company's remuneration policy is to provide a competitive level of remuneration in accordance with current market conditions to attract and motivate the Directors and staff for their contribution.

As at the date of this annual report, the Remuneration Committee comprises one executive Director, Mr. Choi Chun Chung, Danny and three independent non-executive Directors, namely Mr. Wong Kun To (the chairman of the Remuneration Committee), Mr. Chu Hau Lim and Ms. Lim Xue Ling, Charlene.

The Remuneration Committee held three meetings during the Year. During the Year, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management of the Group and approved the terms of executive Director's letter of appointment, and recommended specific remuneration packages (including Share Options) of the Directors and senior management of the Company to the Board.

The attendance of each member of the Remuneration Committee at the meeting during the Year is set out below:

Committee members	Number of meeting attended/eligible to attend
Mr. Wong Kun To *(Chairman of the Remuneration Committee)*	3/3
Mr. Choi Chun Chung, Danny	3/3
Mr. Chu Hau Lim	3/3
Ms. Lim Xue Ling, Charlene	3/3

NOMINATION COMMITTEE

The Board has established a nomination committee (the "Nomination Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Nomination Committee are to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, to make recommendation on proposed changes to the Board, and to assess the independence of the independent non-executive Directors, as well as reviewing the board diversity policy and the nomination policy.

Board Diversity Policy

In August 2013, the Board adopted a board diversity policy (the "Board Diversity Policy") and the terms of reference of the Nomination Committee was updated. The Nomination Committee is responsible for reviewing and assessing the Board's composition. In reviewing the Board's composition, the Nomination Committee will consider a number of aspects of the Board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

As at the date of this report, the Board comprises 5 Directors. Among which, one of them is a female and three of them are independent non-executive Directors. The Directors are of diverse educational background and possess a wide spectrum of professional qualifications and business experience. The Board is of significant diversity, whether considered in terms of gender, professional and educational background and skills.

Nomination Policy

On 31 December 2018, the Board adopted a nomination policy (the "Nomination Policy") and the terms of reference of the Nomination Committee was updated. The Nomination Policy sets out the criteria for and process and procedures of nomination of Directors. In accordance with the Nomination Policy, in evaluation and selecting a candidate for acting as a Director, the criteria to be considered include:

1. gender, age, cultural, ethnicity, skills, knowledge, experience, expertise, professional and educational background and other personal qualities of the candidate;

2. effect on the board's composition and diversity;

3. commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;

4. potential/actual conflicts of interest that may arise if the candidate is selected;

5. independence of the candidate, where appropriate;

6. in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served; and

7. other factors considered to be relevant by the Nomination Committee on a case by case basis.

The nomination policy also sets out the nomination process and procedures, including but not limited to:

1. the Nomination Committee identifies or selects candidates recommended to the Board, with or without assistance from external agencies or the Company, pursuant to the criteria set out above;

2. the Nomination Committee may use any process it deems appropriate to evaluate the candidates, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references;

3. the Nomination Committee will hold a physical meeting to consider the matter and avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held;

4. the Nomination Committee provides to the Board with all the information required including information set out in Rule 13.51(2) of the Listing Rules in relation to the candidates;

5. the Nomination Committee makes recommendation to the Board including the terms and conditions of the appointment;

6. the Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting;

7. all appointments of Director should be confirmed by letter of appointment or service contract setting out the key terms and conditions of the appointment of the Directors, which should be approved by the Nomination Committee; and

8. pursuant to Rule 13.74 of the Listing Rules, where the Shareholders are required to vote on electing or re-electing a director, the circular accompanying the notice of the relevant general meeting should contain all the information of the candidates required under Rule 13.51(2) of the Listing Rules.

As at the date of this annual report, the Nomination Committee comprises one executive Director, Mr. Choi Chun Chung, Danny (the chairman of the Nomination Committee) and three independent non-executive Directors, namely Mr. Wong Kun To, Mr. Chu Hau Lim and Ms. Lim Xue Ling, Charlene. Throughout the Year, the Company had met the code provision A.5.1 of having a majority of the committee members being independent non-executive Directors and having the committee chaired by the chairman of the Board.

The Nomination Committee held one meeting during the Year. During the Year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, recommended to the Board on the re-election of all retiring Directors at the annual general meeting of the Company held on 6 June 2019.

The attendance of each member of the Nomination Committee at the meeting during the Year is set out below:

Committee members	Number of meeting attended/eligible to attend
Mr. Choi Chun Chung, Danny *(Chairman of the Nomination Committee)*	1/1
Mr. Wong Kun To	1/1
Mr. Chu Hau Lim	1/1
Ms. Lim Xue Ling, Charlene	1/1

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee") with specific written terms of reference are in accordance with the provisions set out in the CG Code. The principal duties of the Audit Committee is to consider the appointment and remuneration of the external auditors, to monitor the integrity of the Group's financial statements with focus on the changes in accounting policies and practices, major judgmental areas, significant audit adjustments, going concern assumptions, and compliance with accounting standards, the Listing Rules and other applicable legal requirements, and to review the Group's financial reporting system, risk management and internal control procedures.

As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chu Hau Lim (the chairman of the Audit Committee), Mr. Wong Kun To and Ms. Lim Xue Ling, Charlene.

The Audit Committee held two meetings during the Year. During the Year, the Audit Committee reviewed the Group's audited consolidated financial statements for the year ended 31 December 2018 and the unaudited consolidated financial information for the six months ended 30 June 2019 respectively, discussed audit scope and findings with the Company's independent auditor, reviewed the Group's financial reporting system, risk management and internal control system and the effectiveness of internal audit function, and made recommendation to the Board regarding appointment and remuneration of the external auditor. In the meeting of the Audit Committee of March 2020, the Audit Committee reviewed the Group's audited consolidated financial statements for the Year prior to recommending them to the Board for approval and discussed the internal audit report and other supporting document for the review of risk management and internal control systems and the effectiveness of internal audit function.

The attendance of each member of the Audit Committee at the meetings during the Year is set out below:

Committee members	Number of meeting attended/eligible to attend
Mr. Chu Hau Lim *(Chairman of the Audit Committee)*	2/2
Mr. Wong Kun To	2/2
Ms. Lim Xue Ling, Charlene	2/2

CORPORATE GOVERNANCE FUNCTION

The Board is collectively responsible for performing the corporate governance duties with written terms of reference which include the applicable code provisions as set out in the CG Code. During the Year, the Board reviewed and monitored the training and continuous professional development of the Directors and senior management of the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report and the policy on compliance with legal and regulatory requirements.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's auditor, BDO Limited, for their audit services and non-audit services for the Year are set out as follows:

	Fees paid/ payable HK$'000
Audit services	
Audit for the Year	1,500
Non-audit services	
Review of interim financial information	120
Tax related services	88
	208
Total	1,708

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the Year. The Directors have prepared the consolidated financial statements of the Group on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to the relevant statutory requirements.

The auditor's responsibilities are set out in the Independent Auditor's Report on pages 36 to 41 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Board, through the Audit Committee, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During the Year, the Group appointed BT Corporate Governance Limited ("BTCG") (formerly known as Corporate Governance Professionals Limited) to:

– assist in identifying and assessing the risks of the Group through interviews; and

– independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by BTCG to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of BTCG as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the Securities and Futures Ordinance. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

Enterprise Risk Management Framework

The Group has established its enterprise risk management framework since 2017. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. The risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversights risk management and internal audit functions.

Risk Control Mechanism

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by BTCG. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The risk management activities are performed by management on an ongoing process. The effectiveness of the risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

COMMUNICATION WITH SHAREHOLDERS

The Company provides information in relation to the Group to the Shareholders in a timely manner through a number of formal channels, including interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website.

During the Year, separate resolutions were proposed at the general meetings of the Company for each substantial issue, including the re-election of Directors.

The chairman of the general meetings of the Company explained the procedures for conducting a poll at the beginning of each general meeting of the Company held during the Year. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

During the Year, there were no amendments made to the constitutional documents of the Company. The latest version of Memorandum of Association and New Bye-laws is available on the websites of the Stock Exchange and the Company.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary"), Mr. Siu Kam Chau, is a full time employee of the Group and has day-to-day knowledge of the Group's affairs. During the Year, the Company Secretary has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene a general meeting

1. The Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times may by written requisition deposit at the Company's head office at Units 3910–13, 39/F, COSCO Tower, 183 Queen's Road Central, Hong Kong, for the attention to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

2. The written requisition must state the purposes of the meeting, and must be signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

3. The signatures and the requisition will be verified by the Company's Hong Kong branch share registrar and transfer office. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within twenty-one (21) days from the date of deposit of such requisition.

4. If the Board does not within twenty-one (21) days from the date of the deposit of a valid requisition, proceed duly to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. In addition, such meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Shareholders' Enquiries

The Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited.

Shareholders may send written enquiries to the Company, for the attention of the Board or the Company Secretary, by email: contact@powerfinancial.com.hk, fax: (852) 2270 6611, or mail to Units 3910–13, 39/F, COSCO Tower, 183 Queen's Road Central, Hong Kong. The Shareholders may call the Company at (852) 2270 6600 for any assistance.

Procedures for Shareholders to put forward proposals

1. The Shareholders holding not less than one-twentieth (1/20) of the total voting rights of those Shareholders having the right to vote at such meeting or not less than one hundred (100) Shareholders, at the expenses of the Shareholders concerned, can submit a written requisition to move a resolution at a general meeting.

2. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned and may consist of several documents in like form (which between them contain the signatures of all the Shareholders concerned).

3. The written requisition must be deposited at Units 3910–13, 39/F, COSCO Tower, 183 Queen's Road Central, Hong Kong, the head office of the Company, for the attention of the Board or the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.

4. The signatures and the requisition will be verified by the Company's Hong Kong branch share registrar and transfer office. Upon verification that the request is valid, the Company Secretary will ask the Board to (i) include the resolution in the agenda for the annual general meeting; or (ii) convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the Shareholders, provided that the Shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

DIVIDEND POLICY

The Board has adopted a dividend policy of the Company ("Dividend Policy"). The Dividend Policy aims to allow the Shareholders to participate in the Company's profits by provision of dividends whilst preserving the Company's liquidity to capture future growth opportunities. The Company may declare and pay dividends to the Shareholders depending on, amongst other factors, the Company's operation and financial performance, liquidity conditions, capital requirements, future funding needs, contractual restrictions, availability of reserves and prevailing economic climate. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. The Board will review this policy from time to time and may adopt changes as appropriate at the relevant time.

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

OPINION

We have audited the consolidated financial statements of Power Financial Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 137, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Valuation of financial assets at fair value through profit or loss ("FVTPL") classified as Level 3 fair value *(refer to Notes 4(g) on significant accounting policies, 21 and 37 to the consolidated financial statements)*

As at 31 December 2019, financial assets at FVTPL amounted to approximately HK$249,128,000 which represented approximately 17.37% of the total assets of the Group. These financial assets were mainly equity securities listed in The Stock Exchange of Hong Kong Limited. They were kept by the Group physically or in the custodians and measured at fair value. Furthermore, as at 31 December 2019, the financial assets at FVTPL classified as Level 3 fair value amounting to approximately HK$144,015,000 were suspended shares which represented approximately 10.04% of the total assets of the Group. Independent external valuation report was obtained in order to support management's judgement and estimates.

We identified the valuation of financial assets at FVTPL classified as Level 3 fair value as a key audit matter due to the significance of the judgment and estimates made by the management and the subjectivity in determination of level 3 fair value given the lack of availability of market-based data.

Our response:

Our procedures in relation to valuation of financial assets at FVTPL classified as Level 3 fair value included:

- physically inspecting the original share certificate, obtaining independent confirmations from the custodians and counterparties of the investment portfolio held at 31 December 2019, and agreed the quantities held to the financial records;

- evaluating the independent valuer's competence, capabilities and objectivity;

- evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge;

- evaluating the appropriateness of the key inputs by independently checking to the external data; by evaluating the rationale of management's judgment on the key inputs; and

- engaging our internal valuation specialist to assist us evaluating and assessing the appropriateness of the key assumptions used in the valuation.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of loans and interest receivables *(refer to Notes 4(g) on significant accounting policies and 22 to the consolidated financial statements)*

As at 31 December 2019, the Group had significant loans and interest receivables of approximately HK$363,490,000, representing approximately 25.34% of the Group's total assets in total. The loans and interest receivables are due from independent individuals and corporations and approximately 84.99% of the balances were secured by the collaterals. Also, approximately 6.64% of loans and interest receivables were fully secured by personal guarantees.

The Group measures the expected credit losses ("ECLs") of loans and interest receivables in a way to reflect i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; ii) the time value of money; and iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

We identified the impairment assessment of loans and interest receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the key management judgements and estimates associated with determining the ECLs.

Our response:
Our procedures in relation to the management's impairment assessment of loans and interest receivables included:

– understanding the Group's internal controls relating to the collection, use and retention of the Group's data for ECLs estimation on loans and interest receivables;

– understanding the ECLs models established by the Group and assessing the ECLs estimation of loan and interest receivables made by the management based on its correlation with previous, subsequent or forecast data of the Group;

– reviewing the Group's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information;

– assessing the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment; and

– assessing the adequacy of the Group's disclosures regarding loans and interest receivables, the related risks such as credit risk and the aging of loans and interest receivables.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
Li Yin Fan
Practising Certificate Number P03113

Hong Kong, 30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Revenue	6	**84,172**	41,613
Direct operating costs		**(10,056)**	(12,193)
Gross profit		**74,116**	29,420
Other income, gains and losses	8	**(60,870)**	(411,891)
Administrative expenses		**(81,386)**	(82,334)
Share of results of associates		**1,205**	(28,430)
Finance costs	9	**(2,498)**	(6,917)
Loss before tax	10	**(69,433)**	(500,152)
Income tax expense	11	**(1,810)**	(810)
Loss for the year		**(71,243)**	(500,962)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**–**	(451)
Release of translation reserve upon disposal of a foreign operation		**216**	–
Share of other comprehensive income of associates		**(1,660)**	(8,337)
Fair value changes of debt instruments at fair value through other comprehensive income		**2,826**	(4,309)
Item that will not be reclassified to profit or loss:			
Fair value changes of equity instruments at fair value through other comprehensive income		**–**	(8,794)
Other comprehensive income for the year, net of income tax		**1,382**	(21,891)
Total comprehensive income for the year		**(69,861)**	(522,853)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000 (Restated)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(71,651)**	(500,918)
Non-controlling interests		**408**	(44)
		(71,243)	(500,962)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(70,269)**	(522,809)
Non-controlling interests		**408**	(44)
		(69,861)	(522,853)
Loss per share			
– Basic and diluted (HK cents)	15	**(2.57)**	(16.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31 December 2019 HK$'000	31 December 2018 HK$'000 (Restated)	1 January 2018 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	16	**58,638**	58,924	59,878
Goodwill	17	**136**	808	808
Interests in associates	18	**–**	455	37,222
Loans and interest receivables	22	**226**	1,357	–
Financial assets at fair value through profit or loss	21	**86,750**	198,961	313,017
Debt instruments at fair value through other comprehensive income	20	**191,688**	184,181	–
Equity instruments at fair value through other comprehensive income	19	**–**	–	13,325
Other receivables	24	**12,197**	–	–
Other assets		**180**	155	225
		349,815	444,841	424,475
CURRENT ASSETS				
Loans and interest receivables	22	**363,264**	403,492	29,098
Amounts due from associates	23	**–**	–	37,166
Trade and other receivables	24	**35,705**	39,051	38,151
Tax recoverable		**2,508**	2,092	2,951
Debt instruments at fair value through other comprehensive income	20	**115,632**	159,197	–
Financial assets at fair value through profit or loss	21	**162,378**	221,735	765,733
Bank trust account balances	25	**15,899**	49,439	19,283
Bank balances and cash	26	**389,225**	224,543	863,552
		1,084,611	1,099,549	1,755,934
CURRENT LIABILITIES				
Trade and other payables	27	**23,956**	61,600	28,800
Tax payable		**2,226**	–	–
Borrowings	28	**20,800**	–	100,000
Lease liability	34	**3,605**	–	–
		50,587	61,600	128,800
NET CURRENT ASSETS		**1,034,024**	1,037,949	1,627,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,383,839**	1,482,790	2,051,609

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**31 December 2019 HK$'000**	31 December 2018 HK$'000 (Restated)	1 January 2018 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Borrowings	28	**–**	37,400	37,400
Lease liability	34	**162**	–	–
		162	37,400	37,400
NET ASSETS		**1,383,677**	1,445,390	2,014,209
CAPITAL AND RESERVES				
Share capital	29	**27,836**	27,836	30,864
Reserves		**1,353,970**	1,416,091	1,978,463
Equity attributable to owners of the Company		**1,381,806**	1,443,927	2,009,327
Non-controlling interests		**1,871**	1,463	4,882
TOTAL EQUITY		**1,383,677**	1,445,390	2,014,209

The consolidated financial statements on pages 42 to 137 were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Mr. Choi Chun Chung, Danny
DIRECTOR

Mr. Sit Sai Hung, Billy
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital HK$'000 (Note 29)	Share premium HK$'000	Treasury shares HK$'000 (Note (i))	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note (ii))	Other reserve HK$'000 (Note (v))	Translation reserve HK$'000 (Note (iii))	Investment revaluation reserve HK$'000 (Note (vi))	Share-based payments reserve HK$'000 (Note (iv))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018, as previously reported	30,864	3,840,617	–	861	494,907	3,818	235	(211,190)	2,563	(2,153,348)	2,009,327	4,882	2,014,209
Prior year adjustments (Note 44)	–	–	–	–	–	–	–	142,788	–	(142,788)	–	–	–
At 1 January 2018 (restated)	30,864	3,840,617	–	861	494,907	3,818	235	(68,402)	2,563	(2,296,136)	2,009,327	4,882	2,014,209
Loss for the year (restated)	–	–	–	–	–	–	–	–	–	(500,918)	(500,918)	(44)	(500,962)
Other comprehensive income for the year	–	–	–	–	–	(8,337)	(451)	(13,103)	–	–	(21,891)	–	(21,891)
Total comprehensive income for the year	–	–	–	–	–	(8,337)	(451)	(13,103)	–	(500,918)	(522,809)	(44)	(522,853)
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to accumulated losses	–	–	–	–	–	–	–	77,196	–	(77,196)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	555	–	555	–	555
Lapse of share options	–	–	–	–	–	–	–	–	(748)	748	–	–	–
Acquisition of non-controlling interests (Note 32)	–	–	–	–	–	249	–	–	–	–	249	(3,375)	(3,126)
Share repurchase (Note 29)	–	–	(43,395)	–	–	–	–	–	–	–	(43,395)	–	(43,395)
Cancellation of shares	(3,028)	(40,367)	43,395	–	–	–	–	–	–	–	–	–	–
At 31 December 2018 (restated)	**27,836**	**3,800,250**	**–**	**861**	**494,907**	**(4,270)**	**(216)**	**(4,309)**	**2,370**	**(2,873,502)**	**1,443,927**	**1,463**	**1,445,390**
At 31 December 2018, as previously reported	27,836	3,800,250	–	861	494,907	(4,270)	(216)	(209,473)	2,370	(2,668,338)	1,443,927	1,463	1,445,390
Prior year adjustments (Note 44)	–	–	–	–	–	–	–	205,164	–	(205,164)	–	–	–
As 31 December 2018 (restated) and 1 January 2019	27,836	3,800,250	–	861	494,907	(4,270)	(216)	(4,309)	2,370	(2,873,502)	1,443,927	1,463	1,445,390
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(71,651)	(71,651)	408	(71,243)
Other comprehensive income for the year	–	–	–	–	–	(1,660)	216	2,826	–	–	1,382	–	1,382
Total comprehensive income for the year	–	–	–	–	–	(1,660)	216	2,826	–	(71,651)	(70,269)	408	(69,861)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	1,969	–	1,969	–	1,969
Lapse of share options	–	–	–	–	–	–	–	–	(2,370)	2,370	–	–	–
Deemed disposal of associates	–	–	–	–	–	6,179	–	–	–	–	6,179	–	6,179
At 31 December 2019	**27,836**	**3,800,250**	**–**	**861**	**494,907**	**249**	**–**	**(1,483)**	**1,969**	**(2,942,783)**	**1,381,806**	**1,871**	**1,383,677**

Notes:

(i) The treasury shares represent the share repurchased and cancelled during the year ended 31 December 2018.

(ii) The contributed surplus represents reserves arising from (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the corporate reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1993; and (ii) the Company's capital reorganisation exercises in current and prior financial years. Under the Companies Act of Bermuda, the contributed surplus of the Company is distributable to shareholders under certain circumstances.

(iii) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve are reclassified to profit or loss upon the disposal of foreign operations.

(iv) The share-based payments reserve relates to share options granted to employees under the Company's share option scheme and other agreement. Further information about share-based payments to employees is set out in Note 30.

(v) The other reserve as at year end date relates to the share of translation reserve of the net assets of the associates' operation from their functional currency to the Group's presentation currency and the difference between the consideration paid for acquisition of non-controlling interests and their carrying amounts during the year ended 31 December 2018.

(vi) Investment revaluation reserve represents fair value reserve comprising the cumulative net change in the fair value of debt investments designed at fair value through other comprehensive income under HKFRS 9 that are held at the end of the reporting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	**2019 HK$'000**	2018 HK$'000 (Restated)
OPERATING ACTIVITIES			
Loss before tax		**(69,433)**	(500,152)
Adjustments for:			
Gain on disposal of subsidiaries	33	**–**	(32)
Loss on deregistration of subsidiaries	8	**374**	107
Loss on deemed disposal of interests in associates	8	**6,179**	–
Share of results of associates		**(1,205)**	28,430
Depreciation of property, plant and equipment	10	**8,175**	4,269
Loss on disposal of property, plant and equipment		**–**	2,370
Finance costs	9	**2,498**	6,917
Interest income		**(83,610)**	(39,537)
(Gain)/loss on disposal of debt instruments at fair value through other comprehensive income	8	**(4,066)**	732
Fair value changes of financial assets at fair value through profit or loss	8	**68,884**	389,366
Dividend income from unlisted investment funds	8	**(169)**	(1,449)
Impairment loss on amounts due from associates	8	**–**	37,335
Impairment loss on trade and other receivables	10	**2,678**	4,156
Impairment loss on loans and interest receivables	10	**4,820**	–
Impairment loss on debt instruments at fair value through other comprehensive income	10	**11,582**	–
Impairment loss on goodwill	10	**672**	–
Recovery of impairment loss on trade and other receivables	10	**(20)**	(18)
Equity-settled share-based payments expenses	30	**1,969**	555
Operating loss before in working capital changes		**(50,672)**	(66,951)
Decrease in trade and other receivables		**20,458**	7,025
(Increase)/decrease in other assets		**(25)**	70
Decrease/(increase) in loans and interest receivables		**38,958**	(374,647)
Decrease in listed equity securities		**9,164**	218,474
Decrease/(increase) in listed bond investments		**47,533**	(374,942)
Decrease/(increase) in bank trust account balances		**33,540**	(30,156)
(Decrease)/increase in trade and other payables		**(37,563)**	34,006
Cash generated from/(used in) operations		**61,393**	(587,121)
Income taxes refund		**–**	49
Interest income received from money lending business, financial services business and listed bond investments		**76,651**	24,027
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**138,044**	(563,045)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000 (Restated)
INVESTING ACTIVITIES			
Interest received		**1,425**	1,163
Purchase of property, plant and equipment	16	**(608)**	(5,956)
Proceeds from disposal of property, plant and equipment		**–**	271
Purchase of investment funds		**(10,020)**	(23,282)
Proceeds from investment funds		**58,284**	104,550
Increase in amounts due from associates		**–**	(169)
Net cash inflow on disposal of subsidiaries	33	**–**	6
Dividend income received from investment funds		**169**	1,449
NET CASH FROM INVESTING ACTIVITIES		**49,250**	78,032
FINANCING ACTIVITIES			
Interest paid	40	**(2,100)**	(6,917)
Acquisition of non-controlling interests	32	**–**	(3,126)
Payment on repurchase of shares	29	**–**	(43,395)
Payment of lease liability	40	**(3,912)**	–
Repayments of loan notes	40	**(16,600)**	(100,000)
NET CASH USED IN FINANCING ACTIVITIES		**(22,612)**	(153,438)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**164,682**	(638,451)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**224,543**	863,552
Effect of foreign exchange rate changes		**–**	(558)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**389,225**	224,543

1. GENERAL

Power Financial Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, and its head office and principal place of business in Hong Kong is situated at Units 3910–13, 39/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

The Company acts as an investment holding company and the principal activities of its principal subsidiaries are set out in Note 39. The "Group" comprises the Company and all its subsidiaries.

The consolidated financial statements for the year ended 31 December 2019 were approved by the board (the "Board") of directors (the "Directors") on 30 March 2020.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Adoption of new/revised HKFRSs – effective 1 January 2019

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2019:

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
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs

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

HKFRS 16 – Leases ("HKFRS 16")

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised as right-of-use assets presented in "property, plant and equipment", and lease liabilities separately presented in the consolidated statement of financial position, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

Adoption of new/revised HKFRSs – effective 1 January 2019 *(Continued)*

HKFRS 16 – Leases ("HKFRS 16") *(Continued)*

(i) Impact of the adoption of HKFRS 16 (Continued)

The Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initial applying HKFRS 16 as an adjustment to the opening balance of accumulated losses, if any, at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

Consolidated statement of financial position as at 1 January 2019	**Increase in:** HK$'000
Property, plant and equipment	7,281
Lease liability (non-current)	3,767
Lease liability (current)	3,514

The following reconciliation explains how the operating lease commitment disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liability at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019. The incremental borrowing rate applied to the lease liability on 1 January 2019 was 7%:

	HK$'000
Reconciliation of operating lease commitment to lease liability	
Operating lease commitment as at 31 December 2018	7,824
Less: total future interest expense	(543)
Lease liability as at 1 January 2019	7,281

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

Adoption of new/revised HKFRSs – effective 1 January 2019 *(Continued)*

HKFRS 16 – Leases ("HKFRS 16") *(Continued)*

(ii) The new definition of lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised as right-of-use assets presented in "property, plant and equipment", and lease liabilities separately presented in the consolidated statement of financial position, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised right-of-use assets and a lease liability at the commencement date of a lease.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

Adoption of new/revised HKFRSs – effective 1 January 2019 *(Continued)*

HKFRS 16 – Leases ("HKFRS 16") *(Continued)*

(iii) Accounting as a lessee (Continued)

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the underlying right-of-use assets during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

Adoption of new/revised HKFRSs – effective 1 January 2019 *(Continued)*

HKFRS 16 – Leases ("HKFRS 16") *(Continued)*

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective method and recognised the right-of-use assets at the amount equal to the lease liability, adjusted by amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 at an amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. As far as the Group is concerned, the newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 16.

The Group has also applied the following practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (ii) excluded the initial direct costs from the measurement of the right-of-use assets at 1 January 2019; and (iii) relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment assessment when measuring the right-of-use assets at the date of initial application of HKFRS 16.

In addition, the Group (i) has applied HKFRS 16 to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) has not applied HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

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

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

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

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

Associates is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Any premium paid for associates above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in associates has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment loss, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4(m)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The depreciation rates are as follows:

Leasehold improvements	10% to 20%
Leasehold land and building	Over the shorter of the term of the lease, or 30 years
Office equipment	10% to 40%
Furniture and fixtures	10% to 40%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Lease

(i) Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Lease *(Continued)*

(i) Leasing (accounting policies applied from 1 January 2019) *(Continued)*

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the underlying right-of-use assets during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents right-of-use assets in "property, plant and equipment", and presents lease liability separately in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Lease *(Continued)*

(ii) Leasing (accounting policies applied until 31 December 2018)

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

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the leases.

(g) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For financial assets at amortised cost and debt instruments at FVOCI, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings and lease liability are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in Note 4(g)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(viii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settled on a net a basis, or to realise the assets and liabilities simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Commission income from securities brokerage

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

(ii) Commission income from placing and underwriting

Placing and underwriting commission income is recognised on the trade date when the Group purchases the securities from the issuer or the date the Group sells the securities to third-party investors.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Revenue recognition *(Continued)*

(iii) Corporate finance advisory income

Corporate finance advisory income from providing specified financial advisory and acting as independent financial adviser are recognised at a point in time when the services for the transactions are completed under the terms of each engagement, as only that time the Group has a present right to payment from the customers for the service performed. Invoices for the financial services are issued upon signing service contracts and when stated milestones in the contract are reached.

Advisory fee income from provision of services under retainers is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit providing by the Group performs and revenue can be measured reliably.

(iv) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

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

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relates. The asset is subject to impairment review.

(v) Interest income

Interest income from financial assets is accrued on a time basis on the principal outstanding at the applicable effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(l) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share-based payments reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets; and
- interests in subsidiaries and associates.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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 key management personnel of the Group or the Company's parent.

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

(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 associates or joint venture of the other entity (or an associates 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 associates of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of 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 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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Equity securities listed in Hong Kong classified as financial assets at FVTPL (Note 21)
- Debt instruments listed in and outside Hong Kong classified as debt instruments at FVOCI (Note 20) and debt instruments at FVTPL (Note 21)
- Unlisted investment funds classified as financial assets at FVTPL (Note 21)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(q) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided to the Group's chief operating decision makers for the purpose 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 services, the type or class of customers, the methods used to 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

Measurement of expected credit loss allowance

The management estimates the amount of loss allowance for ECLs on financial assets at amortised cost and debt instruments at FVOCI based on the credit risk of the respective financial instrument. The loss allowance is measured as the difference between the asset's carrying amount and the present value of estimate future cash flows with the consideration of expected future credit loss of the respective financial instrument and collateral value. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty about future economic conditions which have an adverse effect on debtors' business, debtors' creditworthiness, the payment delinquency or default in interest or principal payments or fair values of collaterals. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Fair value of financial instruments

When the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as the share price of the underlying investment, correlation, volatility and transactions of shares. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the consolidated statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

HKFRS 13 requires disclosures relating to fair value measurements using a three-tier fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the Company performs sensitivity analysis.

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2019 HK$'000	2018 HK$'000
Interest income from money lending	**48,274**	20,340
Interest income from bond investments	**27,794**	13,877
Income from financial services		
– Commission income from securities brokerage	**1,987**	1,138
– Commission income from placing and underwriting	**–**	51
– Corporate finance advisory services	**–**	2,050
– Interest income from clients	**6,117**	4,157
	84,172	41,613

An analysis of the Group's revenue for the year under HKFRS 15 is as follows:

	2019 HK$'000	2018 HK$'000
Income from financial services		
– Commission income from securities brokerage	**1,987**	1,138
– Commission income from placing and underwriting	**–**	51
– Corporate finance advisory services	**–**	2,050
	1,987	3,239

7. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance.

The Group reportable 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:

- Financial services segment – Provision of financial services including securities brokerage, placing and underwriting, and corporate finance advisory services in Hong Kong;

- Money lending segment – Provision of loan financing in Hong Kong; and

- Assets investment segment – Investments in debt securities earning fixed interest income, as well as investments in listed and unlisted equity securities, options and investment funds earning variable returns and gains.

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2019

	Financial services segment HK$'000	Money lending segment HK$'000	Assets investment segment HK$'000	Total HK$'000
Revenue				
– Revenue from external customers	8,104	48,274	27,794	84,172
Other income, gains and losses				
– Dividend income from listed equity securities and unlisted investment funds	–	–	2,011	2,011
– Fair value changes of financial assets at FVTPL	–	–	(68,884)	(68,884)
	8,104	48,274	(39,079)	17,299
Results				
Segment results	(26,902)	30,248	(69,005)	(65,659)
Unallocated corporate income				1,425
Unallocated corporate expenses				(3,906)
Finance costs				(2,498)
Share of results of associates				1,205
Loss before tax				(69,433)

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2018 (Restated)

	Financial services segment HK$'000	Money lending segment HK$'000	Assets investment segment HK$'000	Total HK$'000
Revenue				
– Revenue from external customers	7,396	20,340	13,877	41,613
Other income, gains and losses				
– Dividend income from listed equity securities and unlisted investment funds	–	–	14,197	14,197
– Fair value changes of financial assets at FVTPL	–	–	(389,366)	(389,366)
	7,396	20,340	(361,292)	(333,556)
Results				
Segment results	(24,072)	11,971	(408,998)	(421,099)
Unallocated corporate income				1,163
Unallocated corporate expenses				(44,869)
Finance costs				(6,917)
Share of results of associates				(28,430)
Loss before tax				(500,152)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2019 (2018: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit/(loss) from each segment without allocation of directors' emoluments, certain other income, gains and losses and certain administrative expenses, finance costs and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2019 HK$'000	2018 HK$'000
Segment assets		
Financial services segment	**35,227**	89,687
Money lending segment	**363,690**	404,297
Assets investment segment	**726,920**	916,847
Total segment assets	**1,125,837**	1,410,831
Unallocated		
– Bank balances and cash	**301,087**	127,138
– Other unallocated assets	**7,502**	6,421
Consolidated total assets	**1,434,426**	1,544,390
Segment liabilities		
Financial services segment	**19,182**	51,937
Money lending segment	**1,135**	818
Assets investment segment	**23,930**	8,417
Total segment liabilities	**44,247**	61,172
Unallocated	**6,502**	37,828
Consolidated total liabilities	**50,749**	99,000

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

- all assets are allocated to operating segments other than other assets, certain property, plant and equipment, bank balances and cash, amounts due from associates, interests in associates and tax recoverable which are not allocated to segment assets; and

- all liabilities are allocated to operating segments other than borrowings, lease liability and tax payable which are not allocated to segment liabilities.

7. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2019

	Financial services segment HK$'000	Money lending segment HK$'000	Assets investment segment HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	600	–	8	–	608
Interest income	6,117	48,274	27,794	1,425	83,610
Interest expenses	–	–	–	(2,498)	(2,498)
Income tax expense	–	(1,810)	–	–	(1,810)
Depreciation of property, plant and equipment	(2,653)	(56)	(17)	(5,449)	(8,175)
Impairment loss on trade and other receivables	(2,678)	–	–	–	(2,678)
Impairment loss on loans and interest receivables	–	(4,820)	–	–	(4,820)
Impairment loss on debt instruments at FVOCI	–	–	(11,582)	–	(11,582)
Impairment loss on goodwill	(672)	–	–	–	(672)
Recovery of impairment loss on trade receivables	20	–	–	–	20

7. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2018 (Restated)

	Financial services segment HK$'000	Money lending segment HK$'000	Assets investment segment HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	5,900	23	29	4	5,956
Impairment loss on amounts due from associates	–	–	–	(37,335)	(37,335)
Interest income	4,157	20,340	13,877	1,163	39,537
Interest expenses	–	–	–	(6,917)	(6,917)
Income tax expense	–	(810)	–	–	(810)
Depreciation of property, plant and equipment	(1,942)	(61)	(2,153)	(113)	(4,269)
Impairment loss on trade and other receivables	(2,492)	–	(903)	(761)	(4,156)
Recovery of impairment loss on trade receivables	18	–	–	–	18

Note: Non-current assets excluded interests in associates and financial instruments.

Geographical information

The Group's revenue from external customers and non-current assets are all located in Hong Kong as all the customers and the assets are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

There was no customer that contributed to 10% or more of the Group's revenue for the years ended 31 December 2019 and 2018.

7. SEGMENT INFORMATION *(Continued)*

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by timing over revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Financial services segment		Money lending segment		Assets investment segment		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Timing of revenue recognition under HKFRS 15								
– At a point in time	**1,987**	1,539	**–**	–	**–**	–	**1,987**	1,539
– Over time	**–**	1,700	**–**	–	**–**	–	**–**	1,700
	1,987	3,239	**–**	–	**–**	–	**1,987**	3,239

8. OTHER INCOME, GAINS AND LOSSES

	2019	2018
	HK$'000	HK$'000
		(Restated)
Interest income	**1,425**	1,163
Sundry income	**7,065**	257
Dividend income from unlisted investment funds	**169**	1,449
Dividend income from listed equity securities	**1,842**	12,748
Fair value changes of financial assets at FVTPL	**(68,884)**	(389,366)
Gain/(loss) on disposal of debt instruments at FVOCI	**4,066**	(732)
Impairment loss on amounts due from associates	**–**	(37,335)
Loss on disposal of subsidiaries	**–**	32
Loss on deregistration of subsidiaries	**(374)**	(107)
Loss on deemed disposal of interests in associates	**(6,179)**	–
	(60,870)	(411,891)

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on loan notes	**2,100**	6,917
Interest on lease liability	**398**	–
	2,498	6,917

10. LOSS BEFORE TAX

	2019 HK$'000	2018 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments, excluding equity-settled share-based payments (Note 12)	**13,366**	8,782
Other staff costs	**14,651**	16,529
Other staff retirement benefits scheme contributions	**398**	226
Equity-settled share-based payments (including Directors' equity-settled share-based payments)	**1,969**	555
	30,384	26,092
Auditor's remuneration	**1,620**	1,758
Depreciation of property, plant and equipment	**8,175**	4,269
Loss on disposal of property, plant and equipment	**–**	2,370
Operating lease rentals in respect of land and buildings	**–**	3,764
Exchange loss/(gain), net	**34**	(671)
Impairment loss on loans and interest receivables	**4,820**	–
Impairment loss on debt instruments at FVOCI	**11,582**	–
Impairment loss on trade and other receivables	**2,678**	4,156
Impairment loss on amounts due from associates	**–**	37,335
Impairment loss on goodwill	**672**	–
Recovery of impairment loss on trade receivables	**(20)**	(18)

11. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
– Hong Kong Profits Tax	**1,810**	810
Tax expense for the year	**1,810**	810

Hong Kong Profits Tax is calculated at 8.25% on the first HK$2,000,000 of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK$2,000,000 for the years ended 31 December 2019 and 2018. The assessable profits of the group entities not qualifying for the two-tiered profits tax rates regime continued to be taxed at 16.5% for both years.

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

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

	2019 HK$'000	2018 HK$'000 (Restated)
Loss before tax	**(69,433)**	(500,152)
Tax at the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**(11,456)**	(82,525)
Tax effect of expenses not deductible for tax purpose	**16,131**	62,837
Tax effect of income not taxable for tax purpose	**(7,376)**	(8,291)
Tax effect of share of results of associates	**(199)**	4,691
Tax effect of tax losses not recognised	**4,502**	24,343
Tax effect of deductible temporary difference not recognised	**373**	(60)
Tax concession	**(165)**	(185)
Income tax expense	**1,810**	810

At the end of the reporting period, the Group has unused tax losses, subject to the agreement by the Hong Kong Inland Revenue Department, of approximately HK$785,275,000 (2018: HK$757,985,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams. The losses may be carried indefinitely.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

For the year ended 31 December 2019

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000 (Note (a))	Contributions to retirement benefits scheme HK$'000	Equity-settled share-based payments HK$'000 (Note (b))	Total emoluments HK$'000
Executive Directors						
Mr. Choi Chun Chung, Danny	–	12,000	–	18	–	12,018
Mr. Sit Sai Hung, Billy	–	840	70	18	993	1,921
Independent non-executive Directors						
Mr. Chu Hau Lim	180	–	–	–	–	180
Mr. Wong Kun To	120	–	–	–	–	120
Ms. Lim Xue Ling, Charlene	120	–	–	–	–	120
	420	12,840	70	36	993	14,359

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2018

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000 (Note (a))	Contributions to retirement benefits scheme HK$'000	Equity-settled share-based payments HK$'000 (Note (b))	Total emoluments HK$'000
Executive Directors						
Dr. Tang Sing Hing, Kenny (Retired with effect from 1 June 2018)	–	–	–	–	–	–
Mr. Sit Sai Hung, Billy	–	775	129	18	–	922
Mr. Wu William Wai Leung (Resigned with effect from 2 January 2019)	–	6,000	200	20	555	6,775
Non-executive Director						
Mr. Choi Chun Chung, Danny (Re-designated as an executive Director with effect from 2 January 2019)	1,200	–	–	20	–	1,220
Independent non-executive Directors						
Mr. Chu Hau Lim	180	–	–	–	–	180
Mr. Wong Kun To	120	–	–	–	–	120
Ms. Lim Xue Ling, Charlene	120	–	–	–	–	120
	1,620	6,775	329	58	555	9,337

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

Notes:

(a) Performance bonus is based on the Group's operation performance.

(b) During the year ended 31 December 2018, share options were granted to one former Director in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 30.

During the year ended 31 December 2019, no emolument was paid by the Group to the Directors or chief executives of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

13. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2018: two) were Directors whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining three (2018: three) individuals were as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**4,283**	6,642
Performance bonus	**228**	650
Equity-settled share-based payments	**976**	–
Contributions to retirement benefits scheme	**44**	44
	5,531	7,336

Their emoluments were within the following bands:

	2019 No. of individuals	2018 No. of individuals
HK$500,001 – HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–

The emoluments paid or payable to members of senior management were within the following bands:

	2018 No. of individuals	2017 No. of individuals
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–

During the year ended 31 December 2019, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

14. DIVIDEND

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

15. LOSS PER SHARE

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

	2019 **HK$'000**	2018 HK$'000 (Restated)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(71,651)**	(500,918)

	2019 **'000**	2018 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,783,553**	3,073,928

The weighted average number of ordinary shares for the year ended 31 December 2018 for the purpose of basic loss per share has been adjusted to reflect the shares cancellation completed on 17 December 2018.

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 did not assume the exercise of outstanding share options of the Company since the assumed exercise would result in a decrease in loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Leasehold land and building HK$'000	Right-of-use properties HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
COST						
At 1 January 2018	3,479	56,478	–	4,842	113	64,912
Additions	3,944	–	–	1,507	505	5,956
Disposals/written off	(3,110)	–	–	(426)	(69)	(3,605)
At 31 December 2018 as originally presented	4,313	56,478	–	5,923	549	67,263
Impact on initial application of HKFRS 16 (Note)	–	–	7,281	–	–	7,281
At 1 January 2019	4,313	56,478	7,281	5,923	549	74,544
Additions	547	–	–	52	9	608
At 31 December 2019	4,860	56,478	7,281	5,975	558	75,152
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	563	1,491	–	2,965	15	5,034
Provided for the year	1,484	1,883	–	824	78	4,269
Eliminated on disposals/written off	(750)	–	–	(201)	(13)	(964)
At 31 December 2018 and 1 January 2019	1,297	3,374	–	3,588	80	8,339
Provided for the year	1,767	1,883	3,566	850	109	8,175
At 31 December 2019	3,064	5,257	3,566	4,438	189	16,514
CARRYING AMOUNTS						
At 31 December 2019	**1,796**	**51,221**	**3,715**	**1,537**	**369**	**58,638**
At 31 December 2018	3,016	53,104	–	2,335	469	58,924

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating lease under HKAS 17. See Note 3.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Leasehold land and building held for own use, carried at the depreciated cost	**51,221**	53,104
Other properties leased for own use, carried at the depreciated cost	**3,715**	7,281
	54,936	60,385

17. GOODWILL

	HK$'000
COST	
At 1 January 2018, 31 December 2018 and 31 December 2019	16,221
IMPAIRMENT	
At 1 January 2018 and 31 December 2018	15,413
Impairment loss recognised	672
At 31 December 2019	16,085
CARRYING AMOUNTS	
At 31 December 2019	**136**
At 31 December 2018	808

17. GOODWILL *(Continued)*

Impairment testing on goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2019 **HK$'000**	2018 HK$'000
Power Securities – financial services business	**–**	672
E Finance – money lending business	**136**	136
	136	808

The operating activities of Power Securities Company Limited ("Power Securities") which is engaged in the regulated activity in connection with dealing in securities and the operating activity of E Finance Limited ("E Finance") which is engaged in the money lending business.

The recoverable amounts of the CGUs were determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by the management. Cash flows beyond five-year period are extrapolated using growth rate of 3% (2018: 3%) for Power Securities and 3% (2018: 3%) for E Finance. The cash flow projections of Power Securities and E Finance are discounted at pre-tax discount rates of 10.43% (2018: 12.75%) and 16.82% (2018: 13.77%) per annum, respectively, which reflects the specific risks relating to these CGUs.

The key assumptions for the value-in-use calculation are those regarding the discount rates, the budgeted revenue and budgeted expenses during the forecasting periods, which are determined by the management based on the past performance and management's expectations for the market development.

During the year ended 31 December 2019, as a result of losing certain customers and adverse economy, the recoverable amount of Power Securities was calculated to be lower than its carrying amount and accordingly, impairment loss on goodwill of approximately HK$672,000 (2018: Nil).

18. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investment in associates, unlisted	**48,463**	48,463
Share of post-acquisition losses and other comprehensive income	**(48,463)**	(48,008)
	–	455

At 31 December 2019, the Group had interest in the following company:

Name of entity	Place of establishment/ incorporation	Principal place of operation	Proportion of ownership interest held by the Group 2019	2018	Proportion of voting rights held by the Group 2019	2018	Principal activity
Jun Yang Energy Holdings Limited	Cayman Islands	the People's Republic of China	**2.3%** (Note)	47.5%	**2.3%** (Note)	47.5%	Engaged in operation of amorphous silicon thin film solar photovoltaic power station

Note: On 6 September 2019, upon additional capital contribution being made by one of the shareholders of Jun Yang Energy Holdings Limited ("Jun Yang Energy"), the issued shares of Jun Yang Energy were enlarged from 35,566 shares to 746,892 shares and the Group's equity interest in Jun Yang Energy was diluted from approximately 47.5% to approximately 2.3% resulting in a loss on deemed disposal of approximately HK$6,179,000. Immediately upon completion of the capital injection, Jun Yang Energy ceased to be classified as an associate and reclassified as a financial asset at FVOCI with zero balance.

18. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of the material associates

As at 31 December 2018, the summarised financial information in respect of the material associates is set out below. The associates are accounted for using the equity method in the consolidated financial statements.

Jun Yang Energy

	2018 HK$'000
Current assets	122,398
Non-current assets	431,795
Current liabilities	(512,419)
Non-current liabilities	(40,815)
Net assets	959
Group's share of the net assets of the associates	455
Revenue	75,990
Loss for the year	(59,853)
Other comprehensive income for the year	(17,550)
Total comprehensive income for the year	(77,403)
Dividends received from the associates during the year	–

19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK$'000 (Restated)
Equity securities listed in Hong Kong	–

Note: During the year ended 31 December 2018, the Group disposed of certain equity securities with carrying amount of approximately HK$34,600,000, the related balance in the investment revaluation reserve in amount of approximately HK$78,408,000 was reclassified to accumulated losses. In addition, dividend income of approximately HK$1,449,000 was recognised from the unlisted investment funds during the year ended 31 December 2018.

20. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 **HK$'000**	2018 HK$'000
Listed bond investments	**307,320**	343,378
Analysed for reporting purpose as:		
Current assets	**115,632**	159,197
Non-current assets	**191,688**	184,181
	307,320	343,378

The Group holds the debt instruments for the purpose of collecting the interests of the bonds and sell the bonds under the favourable market environment.

20. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Stage analysis on allowance for impairment loss on debt instruments at FVOCI:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
As at 1 January 2018, 31 December 2018 and 1 January 2019	–	–	–	–
Impairment losses recognised	–	11,582	–	11,582
As at 31 December 2019	**–**	**11,582**	**–**	**11,582**

The table below details the credit risk exposures of the Group's debt instruments at FVOCI, which are subject to ECL assessment:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
Carrying amounts				
As at 31 December 2018	343,378	–	–	343,378
As at 31 December 2019	**294,678**	**12,642**	**–**	**307,320**

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000 (Restated)
Equity securities listed in Hong Kong (Note (a))	**150,673**	221,735
Listed bond investments (Note (a))	**11,705**	26,269
Unlisted investment funds (Note (b))	**86,750**	172,692
	249,128	420,696
Analysed for reporting purpose as:		
Current assets	**162,378**	221,735
Non-current assets	**86,750**	198,961
	249,128	420,696

Notes:

(a) The fair value of the listed equity securities and listed debt securities were determined based on the quoted market prices in an active market, except for certain listed equity securities, the trading of which on the Stock Exchange has been suspended by the Securities and Futures Commission (the "Suspended Shares"), the market value of the Suspended Shares was determined with reference to the valuations performed by an independent professional valuer.

(b) The fair value of unlisted investment funds was determined with reference to the underlying assets of the funds which are provided by the counterparty financial institutions.

For financial assets in connection with structured products with the maturity more than one year, they are classified as non-current assets as they are not expected to be settled within one year.

22. LOANS AND INTEREST RECEIVABLES

	2019 HK$'000	2018 HK$'000
Fixed-rate loan receivables	363,248	402,207
Accrued interest receivables	5,062	2,642
	368,310	404,849
Less: provision for impairment loss on loans and interest receivables	(4,820)	–
	363,490	404,849
Analysed for reporting purpose as:		
Current assets	363,264	403,492
Non-current assets	226	1,357
	363,490	404,849

As at 31 December 2019, loans and interest receivables of approximately HK$308,948,000 (2018: HK$359,668,000) were secured by assets under legal charges and approximately HK$24,140,000 (2018: HK$45,181,000) were guaranteed by certain independent third parties, while remaining loans and interest receivables of approximately HK$30,402,000 (2018: Nil) were unsecured. The interest rates on all loans receivables are fixed ranging from 9% to 30% (2018: 7% to 21.2%) per annum and loans receivables are due within 1 to 46 months (2018: 1 to 58 months).

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and imposes credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

The Directors consider that the fair values of loans and interest receivables are not materially different from their carrying amounts.

A maturity profile of the loans and interest receivables based on the maturity date at the end of reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	363,264	403,492
More than 1 year but less than 5 years	226	1,357
	363,490	404,849

22. LOANS AND INTEREST RECEIVABLES *(Continued)*

Approximately 84.99% (2018: 88.84%) of loans and interest receivables were fully secured by collaterals. Also, approximately 6.64% (2018: 11.16%) of loans and interest receivables were fully secured by personal guarantees.

As at 31 December 2019 and 2018, the collaterals for those secured loans are landed properties in Hong Kong and shares of certain listed and unlisted companies.

Stage analysis on allowance for impairment loss on loans and interest receivables:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
As at 1 January 2018, 31 December 2018 and 1 January 2019	–	–	–	–
Net assets originated (Note (a))	–	–	4,820	4,820
As at 31 December 2019	**–**	**–**	**4,820**	**4,820**

The table below details the credit risk exposures of the Group's loans and interest receivables, which are subject to ECL assessment:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000 (Note (b))	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
Gross carrying amounts				
As at 31 December 2018	404,849	–	–	404,849
As at 31 December 2019	**310,240**	**53,250**	**4,820**	**368,310**

Notes:

(a) During the year ended 31 December 2019, new origination of loans and interest receivables with gross amount of approximately HK$4,820,000 were transferred and classified under Stage 3. This results in an increase in loss allowance of approximately HK$4,820,000 as at year ended.

(b) For the gross loans and interest receivables of Stage 2, the Directors believed that the amount was recoverable, after taking into account of the recent market price of properties similar to the collaterals being sufficient to cover the entire outstanding balance as at 31 December 2019.

23. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates of approximately HK$37,335,000 as at 31 December 2018 are of non-trade nature, unsecured, interest-free and repayable on demand.

The associates were making significant losses in prior years. In the opinion of the Directors, the recoverability of the amounts due from associates is low, the impairment allowance for the balance of approximately HK$37,335,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

The table below details the credit risk exposures of amounts due from associates, which are subject to ECL assessment:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
As at 1 January 2018	–	–	–	–
Addition	–	–	37,335	37,335
As at 31 December 2018 and 1 January 2019	–	–	37,335	37,335
Reclassification (Note)	–	–	(37,335)	(37,335)
As at 31 December 2019	–	–	–	–

Note: As Jun Yang Energy ceased to be classified as an associate on 6 September 2019, the amounts due from associates were reclassified to other receivables.

Stage analysis on allowance for impairment loss on amounts due from associates:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
As at 31 December 2018	–	–	37,335	37,335

24. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables from:		
Financial services operation		
– Cash clients (Note (a))	565	1,443
– Margin clients (Note (b))	48,993	65,619
– Clearing house (Note (a))	1,030	279
Less: provision for impairment loss on trade receivables	(35,333)	(32,675)
	15,255	34,666
Other receivables (Note (c))	32,647	4,385
Total trade and other receivables	47,902	39,051
Analysed for reporting purpose as:		
Current assets	35,705	39,051
Non-current assets	12,197	–
	47,902	39,051

Notes:

(a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are one or two days after the respective trade date.

Receivables that were past due but not impaired represent unsettled trade transactions on the last two days prior to the end of reporting period and also relates to a wide range of independent clients for whom there are no recent history of default.

An analysis of changes in the corresponding ECL allowances is as follows:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Impairment allowance under HKAS 39 HK$'000	Total HK$'000
As at 1 January 2018	–	–	–	297	297
Restated on adoption of HKFRS 9	–	297	–	(297)	–
Recovery of impairment loss during the year	–	(18)	–	–	(18)
As at 31 December 2018 and 1 January 2019	–	279	–	–	279
Recovery of impairment loss during the year	–	(20)	–	–	(20)
As at 31 December 2019	–	259	–	–	259

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The table below details the credit risk exposures of the Group's trade receivables from cash clients and clearing house, which are subject to ECL assessment:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
Gross carrying amounts				
As at 31 December 2018	1,443	279	–	1,722
As at 31 December 2019	**1,336**	**259**	**–**	**1,595**

(b) Margin clients are required to pledge securities as collaterals to the Group in order to obtain the credit facilities for securities trading and bear interests at commercial rates. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. The margin ratio is reviewed and determined periodically. As at 31 December 2019, the market value of securities pledged by clients to the Group as collaterals against margin client receivables was approximately HK$63,157,000 (2018: HK$164,681,000).

No ageing analysis is disclosed as, in the opinion of the Directors, the ageing analysis is not meaningful in the view of the revolving nature of securities business.

An analysis of changes in the corresponding ECL allowances is as follow:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Impairment allowance under HKAS 39 HK$'000	Total HK$'000
As at 1 January 2018	–	–	–	29,904	29,904
Restated on adoption of HKFRS 9	–	29,904	–	(29,904)	–
Other remeasurement of loss allowance	–	2,492	–	–	2,492
As at 31 December 2018 and 1 January 2019	**–**	**32,396**	**–**	**–**	**32,396**
Other remeasurement of loss allowance	**–**	**2,678**	**–**	**–**	**2,678**
As at 31 December 2019	**–**	**35,074**	**–**	**–**	**35,074**

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

The table below details the credit risk exposures of the Group's trade receivables from margin clients, which are subject to ECL assessment:

	12-month ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
Gross carrying amounts				
As at 31 December 2018	33,223	32,396	–	65,619
As at 31 December 2019	**13,919**	**35,074**	**–**	**48,993**

The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk.

(c) As at 31 December 2019, the balance included an amount receivable of approximately HK$25,411,000 from an independent third party in respect of the disposal of an investment fund (2018: Nil). Given there is no history of default from these counterparties, the Directors are of the opinion that the risk of default is not significant, Therefore, ECL of the other receivables is assessed to be immaterial.

25. BANK TRUST ACCOUNT BALANCES

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as bank trust account balances under the current assets section in the consolidated statement of financial position and recognised the corresponding payable to the respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

26. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.001% to 3.01% (2018: 0.01% to 1.5%) per annum and have original maturity of three months or less.

27. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables from:		
Financial services operation		
– Cash Clients (Notes (a) and (b))	**2,606**	7,824
– Margin Clients (Notes (a) and (b))	**13,876**	41,005
– Clearing house (Notes (a) and (b))	**568**	646
	17,050	49,475
Other payables	**511**	7,290
Accruals	**6,395**	4,835
Total trade and other payables	**23,956**	61,600

Notes:

(a) The majority of the trade payables are repayable on demand except where certain balances payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

(b) The settlement terms of trade payables arising from the ordinary course of business of dealing in securities from clients and clearing house are two days after trade date.

(c) No ageing analysis is disclosed as, in the opinion of the Directors, the ageing analysis is not meaningful in view of the nature of these businesses.

28. BORROWINGS

	2019 HK$'000	2018 HK$'000
Loan notes, unsecured	**20,800**	37,400
Carrying amount repayable:		
Within one year	**20,800**	–
In more than one year but not more than two years	**–**	37,400
	20,800	37,400

The loan notes are unsecured and carry interest at 7% (2018: 7%) per annum. The loan notes were denominated in HK$.

29. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2018, 31 December 2018 and 31 December 2019	30,000,000,000	300,000

	Number of shares	HK$'000
Issued and fully paid:		
At 1 January 2018	3,086,372,734	30,864
Shares repurchased and cancelled (Note)	(302,820,000)	(3,028)
At 31 December 2018 and 31 December 2019	2,783,552,734	27,836

29. SHARE CAPITAL *(Continued)*

Note: The movements of the ordinary share capital for the years ended 31 December 2019 and 2018 were as follows:

There was no share repurchased and cancelled during the year ended 31 December 2019. During the year ended 31 December 2018, the Company repurchased and cancelled its own shares on the Stock Exchange as follows:

Months of repurchase	Number of ordinary shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
For the year ended 31 December 2018				
November 2018	192,000,000	0.152	0.141	28,012
December 2018	110,820,000	0.142	0.133	15,383
	302,820,000			43,395

During the year ended 31 December 2018, 302,820,000 ordinary shares were repurchased during November and December 2018 and all the shares were cancelled on 17 December 2018.

30. SHARE OPTION SCHEME

(a) The Old Share Option Scheme

The Company's share option scheme (the "Old Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting of the Company held on 17 November 2003.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Old Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. No options may be granted under the Old Share Option scheme of the Company if this will result in this limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Old Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 17 November 2003 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Old Share Option Scheme provided that options lapsed in accordance with the terms of the Old Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

The Old Share Option Scheme will remain in force for a period of 10 years commencing from 17 November 2003. Options complying the provisions of the Listing Rules which are granted during the duration of the Old Share Option Scheme and remain unexercised immediately prior to the end of the 10 year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the Old Share Option Scheme.

The subscription price for shares under the Old Share Option Scheme shall be a price determined by the Board, but shall not be lower than the highest of (i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date on which the Board approves the making of the offer for the grant of options (the "Old Date of Grant"), which must be a trading day; (ii) the average closing price of shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the Old Date of Grant; and (iii) the nominal value of a share. The time of acceptance of an offer for the grant of options shall not be later than 28 days from the Old Date of Grant.

The following table discloses the movements of the share options granted under the Old Share Option Scheme during the year ended 31 December 2018:

			Number of share options				
Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2018
Employees							
18/4/2008	18/4/2008 to 17/4/2018	162.80	10,591	–	–	(10,591)	–

30. SHARE OPTION SCHEME *(Continued)*

(b) The New Share Option Scheme

The Company's new share option scheme (the "New Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the Company's shareholders at the annual general meeting of the Company held on 4 June 2013.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of shares in issue on 4 June 2013 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the New Share Option Scheme provided that options lapsed in accordance with the terms of the Old Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

The New Share Option Scheme will remain in force for a period of 10 years commencing from 4 June 2013. Options complying the provisions of the Listing Rules which are granted during the duration of the New Share Option Scheme and remain unexercised immediately prior to the end of the 10 year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the New Share Option Scheme.

The subscription price for shares under the New Share Option Scheme shall be a price determined by the Board, but shall not be lower than the highest of (i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date on which the Board approves the making of the offer for the grant of options (the "New Date of Grant"), which must be a trading day; (ii) the average closing price of shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the New Date of Grant; and (iii) the nominal value of a share. The time of acceptance if an offer for the grant of options shall not be later than 21 days from the New Date of Grant.

30. SHARE OPTION SCHEME *(Continued)*

(b) The New Share Option Scheme *(Continued)*

The following table discloses the movements of the share options granted under the New Share Option Scheme during the year ended 31 December 2019:

Name	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2019
Directors								
Mr. Wu William Wai Leung*	30/10/2018	3/11/2018 to 2/11/2020	0.113	10,000,000	–	–	(10,000,000)	–
		3/11/2019 to 2/11/2021	0.113	10,000,000	–	–	(10,000,000)	–
		3/11/2020 to 2/11/2022	0.113	9,000,000	–	–	(9,000,000)	–
Mr. Sit Sai Hung, Billy	19/06/2019	19/6/2019 to 18/6/2021	0.1066	–	27,830,000	–	–	27,830,000
Sub-total				29,000,000	27,830,000	–	(29,000,000)	27,830,000
Directors of an associate	10/4/2017	10/4/2017 to 9/4/2019	0.142	38,860,000	–	–	(38,860,000)	–
Employee	19/06/2019	19/6/2019 to 18/6/2021	0.1066	–	27,830,000	–	–	27,830,000
Total				67,860,000	55,660,000	–	(67,860,000)	55,660,000
Exercisable at the end of the year								27,830,000
Weighted average exercise price								HK$0.1066

30. SHARE OPTION SCHEME *(Continued)*

(b) The New Share Option Scheme *(Continued)*

The following table discloses the movements of the share options granted under the New Share Option Scheme during the year ended 31 December 2018:

Name	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2018
				Number of share options				
Directors								
Mr. Wu William Wai Leung*	30/10/2018	3/11/2018 to 2/11/2020	0.113	–	10,000,000	–	–	10,000,000
		3/11/2019 to 2/11/2021	0.113	–	10,000,000	–	–	10,000,000
		3/11/2020 to 2/11/2022	0.113	–	9,000,000	–	–	9,000,000
Directors of an associate company	10/4/2017	10/4/2017 to 9/4/2019	0.142	38,860,000	–	–	–	38,860,000
Total				38,860,000	29,000,000	–	–	67,860,000
Exercisable at the end of the year								48,860,000
Weighted average exercise price								HK$0.1295

* Mr. Wu William Wai Leung resigned as an executive Director with effect from 2 January 2019.

30. SHARE OPTION SCHEME *(Continued)*

(b) The New Share Option Scheme *(Continued)*

The exercise price of share options outstanding at the end of the year was HK$0.1066 (2018: ranged between HK$0.113 and HK$0.142) and their weighted average remaining contractual life was 1.47 years (2018: 1.39 years).

Of the total number of share options outstanding at the end of the year, 27,830,000 (2018: 48,860,000) had vested and were exercisable at the end of the year.

The weighted average share price at the date of exercise of options during the year was HK$0.1066 (2018: HK$0.103).

The weighted average fair value of each option granted during the year was HK$0.048 (2018: HK$0.051).

The fair value of 38,860,000 share options granted under the New Share Option Scheme on 10 April 2017 was determined by the directors of associates company to be approximately HK$1,815,000 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs into the model included grant date share price of HK$0.142, exercise price of HK$0.142 per share, expected volatility of 97.68%, expected option life of 2 years, no expected dividend and estimated risk-free interest rate of 0.938%.

The fair value of 29,000,000 share options granted under the New Share Option Scheme on 30 October 2018 was determined by the Director to be approximately HK$1,489,000 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs into the model included grant date share price of HK$0.103, exercise price of HK$0.113 per share, expected volatility of ranging from 79.98% to 89.42%, expected option life of ranging from 2.01 years to 4.01 years, no expected dividend and estimated risk-free interest rate of ranging from 2.09% to 2.22%.

The fair value of 55,660,000 share options granted under the New Share Option Scheme on 19 June 2019 was determined by the directors to be approximately HK$2,643,000 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs into the model included grant date share price of HK$0.105, exercise price of HK$0.1066 per share, expected volatility of 89.47%, expected option life of 2 years, no expected dividend and estimated risk-free interest rate of 1.65%.

The risk-free rate was based on market yield from Hong Kong Exchange Fund Note with maturity matching the contractual option life of the share options as at the valuation date. The expected volatilities of the share prices were estimated by the best available average annualised standard deviations of the continuously compounded rates of return on the Company's share prices since the date of business transformation of the Group.

For the year ended 31 December 2019, the Group recognised equity-settled share-based payments expenses in aggregate of approximately HK$1,969,000 (2018: HK$555,000) in respect of the New Share Option Scheme.

31. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees including Directors in Hong Kong. The assets of the MPF Scheme are held separately from those of the Groups in funds under the control of independent trustees. Both the Group and the employees contribute a fixed percentage to the MPF Scheme based on their monthly salary in accordance with government regulations. The MPF Scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

During the year ended 31 December 2019, the total amount contributed by the Group and charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$434,000 (2018: HK$284,000).

32. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 24 May 2018, the Company acquired an additional 9.9% of the issued shares of Pictures Global Holdings Limited ("Pictures Global") for a purchase consideration of approximately HK$3,126,000. The carrying amount of the non-controlling interests in Pictures Global on the date of acquisition was approximately HK$3,375,000. The Group recognised a decrease in non-controlling interests of approximately HK$3,375,000 and an increase in equity attributable to owners of the Company of approximately HK$249,000.

33. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2018

On 1 November 2018, the Company entered into an agreement with an independent third party, to dispose of entire interest in a subsidiary, Heemin Capital Investment Group Limited ("Heemin Capital") at a consideration of approximately HK$10,000. The disposal was completed on 1 November 2018 and the Group recognised a gain on disposal of subsidiaries of approximately HK$32,000. After completion of disposal of Heemin Capital, Heemin Capital and its subsidiaries ceased to be subsidiaries of the Group. The net assets of Heemin Capital at the date of disposal were as follows:

	HK$'000
Other receivables	1,180
Bank balances and cash	4
Other payables	(1,206)
	(22)
Cash consideration received	10
Less: Bank balances and cash	(4)
Net cash inflow on disposal of subsidiaries	6
Gain on disposal of subsidiaries	32

34. LEASE

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 3(i). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in Note 4(f)(i).

Nature of leasing activities (in the capacity as lessee)

The Group leases an office space in the jurisdictions from which it operates. The periodic rent of the property leases is fixed over the lease term.

The movements in lease liability during the year are as follows:

	2019 HK$'000	2018 HK$'000
Lease liability		
At 1 January (Note 3(i))	**7,281**	–
Interest charged	**398**	–
Rental paid	**(3,912)**	–
At 31 December	**3,767**	–
Lease liability		
Current portion	**3,605**	–
Non-current portion	**162**	–
	3,767	–

Future lease payments are due as follows:

As at 31 December 2019

	Minimum lease payments HK$'000	**Interest HK$'000**	**Present value HK$'000**
Not later than one year	**3,749**	**144**	**3,605**
Later than one year and not later than two years	**163**	**1**	**162**
	3,912	**145**	**3,767**

34. LEASE *(Continued)*

As at 1 January 2019

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
Not later than one year	3,912	398	3,514
Later than one year and not later than two years	3,912	145	3,767
	7,824	543	7,281

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach of initial application of 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as operating leases. See Note 3(i) for further details about transition.

Present value of lease liability:

	As at 31 December 2019 HK$'000	As at 1 January 2019 HK$'000
Current liabilities	**3,605**	3,514
Non-current liabilities	**162**	3,767
	3,767	7,281

35. CAPITAL COMMITMENT

The Group had the following significant capital commitment contracted but not provided for in the consolidated financial statements:

	2019 HK$'000	2018 HK$'000
Commitment contracted for but not provided for in respect of investment in an investment fund which will be recognised as financial assets at FVTPL	**5,198**	15,194

36. CAPITAL RISK MANAGEMENT

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

A subsidiary of the Group is licensed with Securities and Futures Commission of Hong Kong ("SFC"). The Group's licensed subsidiary is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF (FR) R") (Chapter 571N of the Laws of Hong Kong) adopted by the SFC. The management closely monitors, on a daily basis, the liquid capital level of that licensed subsidiary to ensure compliance with the minimum liquid capital requirements under the SF (FR) R.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group seeks to balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. For the licensed subsidiary, the Group ensures it will maintain a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increases in the level of business activities.

The management monitors the capital structure on a regular basis by using a net debt-to-equity ratio. The Group's policy is to maintain the net debt-to-equity ratio at a reasonable level. The net debt-to-equity ratio as at the end of the reporting period was as follows:

	2019 **HK$'000**	2018 HK$'000
Debt (Note (i))	**20,800**	37,400
Cash and cash equivalents	**(389,225)**	(224,543)
Net cash	**(368,425)**	(187,143)
Equity (Note (ii))	**1,381,806**	1,443,927
Net debt-to-equity ratio	**N/A**	N/A

Notes:

(i) Debt comprised borrowings as detailed in Note 28.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

37. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 HK$'000	2018 HK$'000 (Restated)
Financial assets		
Financial assets at amortised cost:		
– Other assets	180	155
– Trade and other receivables*	46,992	37,784
– Loans and interest receivables	363,490	404,849
– Bank trust account balances	15,899	49,439
– Bank balances and cash	389,225	224,543
	815,786	716,770
Financial assets at FVTPL	249,128	420,696
Debt instruments at FVOCI	307,320	343,378
Financial liabilities		
Amortised cost:		
– Trade and other payables	23,956	61,600
– Borrowings	20,800	37,400
– Lease liability	3,767	–
	48,523	99,000

* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of approximately HK$47,902,000 (2018: HK$39,051,000) is an amount of approximately HK$910,000 (2018: HK$1,267,000) representing prepayments.

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loans and interest receivables, bank trust account balances, bank balances and cash, financial assets at FVTPL, debt instruments at FVOCI, amounts due from associates, trade and other payables, lease liability and borrowings. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

The Group operates mainly in Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollar ("USD"). As HK$ is linked to USD, the Directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) *Interest rate risk*

The Group's fair value interest rate risk relates primarily to the loans and interest receivables, debt instruments at FVTPL, debt instruments at FVOCI and borrowings which carry at fixed rates. The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may consider to enter any hedging activities if the need arises.

The Group's cash flow interest rate risk relates primarily to variable-rate bank deposits. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of bank deposits interest rate arising from the Group's variable-rate bank deposits.

Sensitivity analysis

The sensitivity analysis below has been prepared based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2018: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2019 would decrease/increase by approximately HK$1,801,000 (2018: HK$837,000).

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

The Group's debt instruments at FVOCI and financial assets at FVTPL are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to price risk. The management manages this exposure by closely monitoring the price risk and maintaining a portfolio of investments with different risks profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to debt/equity price risk of debt instruments at FVOCI and financial assets at FVTPL at the end of the reporting period.

If the prices of the respective debt/equity instruments had been 5% (2018: 5%) higher/lower:

- post-tax loss for the year ended 31 December 2019 would decrease/increase by approximately HK$10,401,000 (2018: HK$17,564,000 (restated)) as a result of the changes in fair value of financial assets at FVTPL;

- post-tax loss for the year ended 31 December 2019 would decrease/increase by approximately HK$12,831,000 (2018: HK$14,336,000) as a result of the changes in fair value of debt instruments at FVOCI.

Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position, mainly including loans and interest receivables, advance to customers on margin financing, trade and other receivables, amounts due from associates, debt instruments at FVOCI, bank balances and cash.

Definition of stage 1, stage 2 and stage 3 are as below:

Stage 1: Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the life-time ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a life-time ECL (i.e. reflecting the remaining life-time of the financial assets) is recognised.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a life-time ECL is recognised.

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment allowances to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECLs.

At the end of each reporting period, the Company should evaluate if there is a significant increase in credit risk on all financial assets since the initial recognition. A variety of factors were considered whereby the evaluation stage of ECLs of relevant financial instrument, which includes regulatory and operating environment, internal and external credit rating, solvency, managing ability, terms set out in loan contracts, repayment history and other forward-looking information. When performing evaluation on the significant increase in credit risk, the Company should take below factors into consideration, including but not limited to:

- Significant increase in credit spread;
- Actual or expected significant changes in external credit rating on the obligor or the debts;
- Significant adverse changes in business, financial and/or economic conditions in which the debtor operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the debtor;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default;
- Early signs of cash flow/liquidity problems such as delay in serving of loans; and
- Actual or expected changes in quality of credit support provided by the guarantor.

For the debtor's contractual payments (including principal and interest) that more than 30 days past due, the Group considers a financial instrument to have experienced a significant increase in credit risk and classified it into Stage 2, unless the Group has reasonable and supportable information that demonstrates otherwise.

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Definition of default and credit impaired financial asset

The Group defines a financial instrument as in default, which is aligned with the definition of credit-impaired. Evidence that a financial instrument is credit impaired include observable data about the follow events:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; and
- The debtor leaves any of principal, advance, interest or investment in listed bonds of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not necessarily due to a single event.

Advance to customers on margin financing

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients). Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and or cash deposits as collaterals for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collaterals and margin deposits of each margin account and futures account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Advance to customers on margin financing (Continued)

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits and maintenance margin ratio/collateral coverage ratio for the margin financing, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Any subsequent change in value as well as quality of collaterals is closely monitored in order to determine whether any corrective action is required. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk arising from trade receivables by geographical locations is mainly in Hong Kong, which accounted for 100% (2018: 100%) of the total trade receivables as at 31 December 2019.

Loans and interest receivables

For the loans and interest receivables, prior to the lending of loan, the Group will review the financial strength, purpose of the borrowing, repayment ability of the borrower to ensure that the borrower has sound financial repayment ability. The Group assesses the credit profiles of each individual debtors by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. The Group also meets quarterly and reviews from time to time the financial conditions of the borrowers or the guarantors.

For mortgage loans and certain secured loans, the Group holds collaterals against loans and interest receivables. Majority of the collaterals are residential properties, commercial properties, mortgaged properties, shares of listed companies and pledged against the balances. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the Directors. The utilisation of credit limits is regularly monitored. For unsecured or guaranteed loans, the Group assesses the credit quality of the borrower and guarantor based on the customer's financial position, past experience, internal and external credit rating of the customers and other factors.

As at 31 December 2019, loans and interest receivables of approximately HK$66,600,000 (2018: HK$289,000) were past due but not impaired. The Group make ECLs estimates based on the ageing of the balances, borrowers' creditworthiness, the payment delinquency of default in interest or principal payments, borrowers' business and the industry to which borrowers belong and local economic conditions. The Directors are of the opinion that no provision of ECLs is necessary for these balances as there has not been a significant change in credit risk and the respective principals and interests that have been overdue were still fully secured by the fair values of collaterals at their respective estimated selling prices. Accordingly, the ECLs of these balances is minimal. However, loans and interest receivables of approximately HK$4,820,000 (2018: Nil) were past due and impaired. The Directors are of the opinion that the respective principals and interests that have been overdue were not secured by sufficient collaterals.

The Group's concentration of credit risk arising from loans and interest receivables by geographical locations is mainly in Hong Kong, which accounted for 100% (2018: 100%) of the total loans and interest receivables as at 31 December 2019.

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Debt instruments at FVOCI

Except for the debt instruments at FVOCI in carrying amount of approximately HK$12,642,000 with significant increase in credit risk, all of the Group's debt instruments at FVOCI are considered to have low credit risk. Management consider "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligation in the near term.

Trade and other receivables and amounts due from associates

As at 31 December 2019, the Directors assessed the ECLs for other receivables are not material when they do not have default history and the debtors has a strong capacity to meet its contractual cash flow obligations in the near term.

The Directors have exercised due care in checking the financial position of the associate. As at 31 December 2018, impairment loss on amounts due from associates of approximately HK$37,335,000 was recognised as recoverability of the balance is remote.

Bank balances and cash

In respect of cash deposited with banks and financial institutions, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these financial institutions. The ECLs of bank balances and cash is close to zero.

Further quantitative data in respect of the Group's exposure to credit risk arising from debt instruments at FVOCI, loans and interest receivables, amounts due from associates, trade and other receivables, bank balances and cash are disclosed in Notes 20, 22, 23, 24 and 26 respectively.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent the interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1-2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2019 HK$'000
At 31 December 2019					
Non-derivative financial liabilities					
Trade and other payables	–	23,956	–	23,956	23,956
Borrowings	7	21,156	–	21,156	20,800
Lease liability	7	3,749	163	3,912	3,767
		48,861	163	49,024	48,523

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1-2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2018 HK$'000
At 31 December 2018					
Non-derivative financial liabilities					
Trade and other payables	–	61,600	–	61,600	61,600
Borrowings	7	2,618	38,055	40,673	37,400
		64,218	38,055	102,273	99,000

37. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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

Financial assets	Fair value as at 31 December 2019	Fair value hierarchy	Valuation technique(s)
Equity securities listed in Hong Kong classified as financial assets at FVTPL	HK$6,658,000 (2018: HK$26,739,000)	Level 1	Quoted bid prices
Suspended Shares listed in Hong Kong classified as financial assets at FVTPL	HK$1,223,000 (2018: HK$16,994,000)	Level 3	Index return method
	HK$142,792,000 (2018: HK$178,002,000)	Level 3	Guideline public company method (Note)
Unlisted investment funds classified as financial assets at FVTPL	HK$86,750,000 (2018: HK$172,692,000)	Level 2	Net asset value provided by fund administrator
Listed bond investments classified as debt instruments at FVTPL	HK$11,705,000 (2018: HK$26,269,000)	Level 1	Quoted bid prices
Listed bond investments classified as debt instruments at FVOCI	HK$307,320,000 (2018: HK$343,378,000)	Level 1	Quoted bid prices

Note: The Directors has determined that guideline public company method is to be applied as there are reliable and latest updated financial information of the investee available to the public. Further, the enterprise value to revenue multiple is adopted by the valuer as the most preferable valuation multiple as the investee's earnings are highly correlated with its revenue.

37. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

The fair values of listed equity investments are based on quoted bid prices. The fair values of the Suspended Shares, are based on the reference to market comparable companies. The valuation methods are based on assumptions that are not supported by observable market prices or rates. The valuation requires making estimates about the movements of share prices of other comparable companies during the suspension period and discount for lack of marketability. Management believes that the estimated fair value resulting from the valuation technique is reasonable, and that it was the most appropriate value at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative analysis as at 31 December 2019:

	Valuation technique	Significant unobservable input	Range/Amount	Sensitivity of fair value to the input
Suspended Shares listed in Hong Kong classified as financial assets at FVTPL	Index Return Method	Change in returns of comparable companies during the suspension period	52.512% to -57.447% (2018: -48.94% to -9.84%	10% increase/decrease in the change in returns would result in increase/ decrease in fair value by approximately HK$52,000 (2018: HK$465,000)
		Discount for lack of marketability	48.98% (2018: 42%)	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by approximately HK$122,000 (2018: HK$1,231,000)
	Guideline Public Company Method	Enterprise value to revenue multiple of comparable companies	0.118 to 8.361 (2018: 0.44 to 2.93)	10% increase/decrease in the change in enterprise value to revenue multiple would result in increase/decrease in fair value by approximately HK$7,308,000 (2018: HK$6,314,000)
		Discount for lack of marketability	48.98% (2018: 42%)	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by approximately HK$14,215,000 (2018: HK$12,891,000)

37. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

As at 31 December 2019

	Fair value measurement using			
	Quoted bid price in active markets Level 1 HK$'000	Significant observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Listed equity securities	6,658	–	144,015	150,673
Listed bond investments	11,705	–	–	11,705
Unlisted investment funds	–	86,750	–	86,750
Debt instruments at FVOCI				
Listed bond investments	307,320	–	–	307,320
	325,683	86,750	144,015	556,448

37. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

As at 31 December 2018 (Restated)

	Fair value measurement using			
	Quoted bid price in active markets Level 1 HK$'000	Significant observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Listed equity securities	26,739	–	194,996	221,735
Listed bond investments	26,269	–	–	26,269
Unlisted investment funds	–	172,692	–	172,692
Debt instruments at FVOCI				
Listed bond investments	343,378	–	–	343,378
	396,386	172,692	194,996	764,074

There was no transfer between the different levels of the fair value hierarchy for the years ended 31 December 2019 and 2018. The movements in fair value measurements in Level 3 are as follows:

	2019 HK$'000	2018 HK$'000
Financial assets at FVTPL		
At 1 January	**194,996**	344,954
Net change in unrealised loss recognised in profit or loss	**(50,981)**	(149,958)
At 31 December	**144,015**	194,996

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's consolidated financial position.

As at 31 December 2019

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position		
				Financial instruments	Collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables arising from the business of dealing in securities	17,156	(1,901)	15,255	(1,030)	(14,225)	–

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables arising from the business of dealing in securities	18,951	(1,901)	17,050	(1,030)	–	16,020

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities offsetting *(Continued)*

As at 31 December 2018

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position		
				Financial instruments	Collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables arising from the business of dealing in securities	39,682	(5,016)	34,666	(279)	(34,387)	–

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables arising from the business of dealing in securities	54,491	(5,016)	49,475	(279)	–	49,196

38. RELATED PARTY TRANSACTIONS

Same as disclosed below, there were no other significant transactions with related parties during the year or significant balances with them at the end of the reporting period.

Compensation of key management personnel

	2019 **HK$'000**	2018 HK$'000
Short-term employee benefits	**13,330**	8,724
Post-employment benefits	**36**	58
Share-based payments	**993**	555
	14,359	9,337

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries directly and indirectly held by the Company at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation or establishment/ principal place of operations	Issued and fully paid share capital/ registered capital	Principal activities	Attributable equity interest held by the Company				Proportion of voting power held by the Company	
				Directly		Indirectly			
				2019	2018	**2019**	2018	**2019**	2018
Classictime Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding and securities trading	**100%**	100%	**–**	–	**100%**	100%
Colour Brave Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Fast Choice Limited	Hong Kong	Ordinary share HK$1	Personnel management	**–**	–	**100%**	100%	**100%**	100%
Plenty Cash Investment Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Profitsway Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%	**100%**	100%
Favour Brightness Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%	**100%**	100%
E Finance Limited	Hong Kong	Ordinary share HK$100	Provision for money lending	**–**	–	**100%**	100%	**100%**	100%

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or establishment/ principal place of operations	Issued and fully paid share capital/ registered capital	Principal activities	Attributable equity interest held by the Company				Proportion of voting power held by the Company	
				Directly		Indirectly			
				2019	2018	**2019**	2018	**2019**	2018
Golden Moral Investments Limited	British Virgin Islands	Ordinary share US$2	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Power Securities Company Limited	Hong Kong	Ordinary share HK$500,000,000	Licensed to carry on regulated activity in connection with dealing in securities	**–**	–	**100%**	100%	**100%**	100%
Red Metro Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Power Asset Management Company Limited	Hong Kong	Ordinary share HK$7,000,000	Asset Management	**–**	–	**100%**	100%	**100%**	100%
Power Corporate Finance Company Limited	Hong Kong	Ordinary share HK$5,000,000	Corporate Finance	**–**	–	**100%**	100%	**100%**	100%
Key Winner Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Bonus First Group Limited	British Virgin Islands	Ordinary share US$200	Property holding	**–**	–	**100%**	100%	**100%**	100%

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

None of the subsidiaries had issued any debt securities at the end of the reporting period.

40. NOTES SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Loan notes (Note 28) HK$'000	Lease liability (Note 34) HK$'000
At 1 January 2018	137,400	–
Changes from cash flows:		
Repayment of loan notes	(100,000)	–
Interest paid	(6,917)	–
Total changes from financing cash flows:	(106,917)	–
Other change:		
Interest expense	6,917	–
At 31 December 2018 and 1 January 2019	**37,400**	**–**
Adjustment upon the adoption of HKFRS 16	**–**	**7,281**
Changes from cash flows:		
Payment of lease liability	**–**	**(3,912)**
Repayment of loan notes	**(16,600)**	**–**
Interest paid	**(2,100)**	**–**
Total changes from financing cash flows:	**(18,700)**	**(3,912)**
Other change:		
Interest expense	**2,100**	**398**
At 31 December 2019	**20,800**	**3,767**

41. CONTINGENT LIABILITIES

(i) Writ of summons by Convoy Global Holdings Limited

Classictime Investments Limited ("Classictime"), a wholly-owned subsidiary of the Company, is the 24th Defendant in a writ of summons served on 19 December 2017 on behalf of Convoy Global Holdings Limited ("Convoy", the 1st Plaintiff), Convoy Collateral Limited ("CCL", the 2nd Plaintiff) and CSL Securities Limited ("CSL", the 3rd Plaintiff) (collectively, the "Plaintiffs") in a set of legal proceedings brought by the Plaintiffs in the High Court of Hong Kong (the "Convoy HC Action"). It is the Plaintiffs' case that, amongst other things, the 1st Defendant, Mr. Cho Kwai Chee Roy, and his associates (who are named as co-defendants in the Convoy HC Action) implemented a scheme such that shares in Convoy would be allotted to and held by companies related to the 1st Defendant (the "Placees") which had agreed to act upon the direction of the 1st Defendant. The Plaintiffs alleged that the 1st Defendant and his associates on the board of Convoy, CCL and/or CSL improperly used their power to allot shares and to grant loans to the detriment of the Convoy Group, constituting serious breaches of fiduciary duties or other director's duties, dishonest assistance, unlawful and/or lawful means conspiracy. Classictime is one of the alleged Placees in the Convoy HC Action. The Plaintiffs, amongst other things, seek an order against Classictime that the allotment of shares to Classictime be set aside, together with damages, interests, costs, and further and/or other relief. As at the date of this report, pleadings is deemed to be closed but discovery has not taken place.

Please refer to the Company's announcement dated 20 December 2017 for more details.

(ii) Zhu Xiao Yan Petition

Classictime is one of the thirty three respondents in a petition made by Zhu Xiao Yan as the petitioner ("Petitioner") under a set of legal proceedings in the High Court of Hong Kong ("Petition"). In summary, the Petitioner alleged that the detriment suffered by her to the real value of her shares in Convoy was a consequence of the unfairly prejudicial mismanagement or misconduct in and about the business and affairs of, amongst other companies, Convoy, CCL and CSL. Such allegations made are mainly based on those set out in the writ in the Convoy HC Action.

Please refer to the Company's announcement dated 3 January 2018 for more details.

A Case Management Conference was held on 6 March 2018. In summary, the Court directed that the Petition be stayed pending determination of the Convoy HC Action.

41. CONTINGENT LIABILITIES *(Continued)*

(iii) Counterclaim made by Best Year Enterprises Limited ("Best Year")

On 25 July 2018, Power Securities, a wholly-owned subsidiary of the Company, commenced legal proceedings against, amongst other parties, Best Year and Mr. Sin Kwok Lam ("Mr. Sin") by way of a writ of summons. Power Securities subsequently filed and served the Statement of Claim on 30 November 2018. On 8 March 2019, Best Year and Mr. Sin filed a defence and counterclaim. The said counterclaim was made against, amongst other parties, Power Securities and Mr. Sit Sai Hung Billy ("Mr. Sit"), an executive Director of the Company, for damages for conspiracy to be assessed, interest, costs and such further and/or other relief.

On 24 June 2019, the Court made a winding-up order (the "Winding-up Order") against Best Year. By reason of the Winding-up Order, the counterclaim by Best Year against Power Securities and Mr. Sit was stayed. On 24 June 2019, Power Securities and Mr. Sit took out an application to strike out Mr. Sin's counterclaim. On 18 July 2019, Mr. Sin took out an application for leave to amend his counterclaim. By the Order of Coleman J dated 5 December 2019 ("Coleman J's Order"), Mr. Sin's claim was struck out. On 27 December 2019, Mr. Sin filed a notice of appeal against Coleman J's Order. As at the date of this report, the appeal is still ongoing.

(iv) Writ of summons by Best Year

On 17 June 2019, Best Year and Mr. Sin commenced another legal proceedings against Power Securities and another party based on the same subject matter of the counterclaim set out in Section (iii) above. By the writ of summons, Best Year and Mr. Sin sought for, amongst others, a declaration that the summary judgment (the "Summary Judgment") obtained by Power Securities against Best Year previously in relation to a margin shortfall was obtained by fraud, an order that the Summary Judgment be set aside, an account order, payment order, damages, interest, costs and such further and/or other relief.

By reason of the Winding-up Order as set out in Section (iii) above, the claim by Best Year against Power Securities was stayed. On 23 July 2019, Power Securities took out an application to strike out Mr. Sin's claim. By Coleman J's Order as set out in Section (iii) above, Mr. Sin's claim was struck out. On 27 December 2019, Mr. Sin filed a notice of appeal against Coleman J's order. As at the date of this report, the appeal is still ongoing.

Given that the aforementioned cases/appeals are still in an early stage, and having considered the alleged claims and consulted the Company's legal adviser, the Directors are of the views (i) it is premature to determine the possible outcome of any claim which is pending; (ii) it is uncertain to quantify any financial impact which will have a material effect on the financial position of the Company; and (iii) no provision for the claims of these legal proceedings is required to be made based on its current development. The Directors will monitor these cases against the Group closely.

42. EVENT AFTER THE REPORTING DATE

Since early 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries, and it has affected the business and economic activities of the Group to some extent. The overall financial effect of the COVID-19 outbreak cannot be reliably estimated as of the date of these consolidated financial statements. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

43. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**52**	62
Investments in subsidiaries		**220,871**	220,871
Investment in associates		**–**	55,005
		220,923	275,938
CURRENT ASSETS			
Amounts due from subsidiaries	(a)	**1,630,260**	1,349,271
Other receivables		**1,162**	7,712
Bank balances and cash		**31,891**	4,362
		1,663,313	1,361,345
CURRENT LIABILITIES			
Amounts due to subsidiaries		**572,298**	242,642
Other payables and accruals		**2,969**	8,166
Borrowings		**20,800**	–
		596,067	250,808
NET CURRENT ASSETS		**1,067,246**	1,110,537
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,288,169**	1,386,475
NON-CURRENT LIABILITY			
Borrowings		**–**	37,400
NET ASSETS		**1,288,169**	1,349,075
CAPITAL AND RESERVES			
Share capital		**27,836**	27,836
Reserves		**1,260,333**	1,321,239
TOTAL EQUITY		**1,288,169**	1,349,075

Note:

(a) The amounts due from subsidiaries classified under current assets are unsecured, interest-free and repayable on demand. ECLs for amounts due from subsidiaries are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition. There is no impairment allowance (2018: HK$1,945,046,000) made based on the Company's internal assessment.

43. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Company

	Share premium HK$'000	Treasury shares HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share-based payments reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000
At 1 January 2018	3,840,617	–	861	494,907	2,563	(937,721)	3,401,227
Loss and total comprehensive income for the year	–	–	–	–	–	(2,040,176)	(2,040,176)
Lapse of share options	–	–	–	–	(748)	748	–
Recognition of equity-settled share-based payments	–	–	–	–	555	–	555
Share repurchase (Note 29)	–	(43,395)	–	–	–	–	(43,395)
Cancellation of shares	(40,367)	43,395	–	–	–	–	3,028
At 31 December 2018 and 1 January 2019	**3,800,250**	**–**	**861**	**494,907**	**2,370**	**(2,977,149)**	**1,321,239**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(62,875)**	**(62,875)**
Lapse of share options	**–**	**–**	**–**	**–**	**(2,370)**	**2,370**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**1,969**	**–**	**1,969**
At 31 December 2019	**3,800,250**	**–**	**861**	**494,907**	**1,969**	**(3,037,654)**	**1,260,333**

44. PRIOR YEAR ADJUSTMENTS

In preparing the consolidated financial statements for the year ended 31 December 2019, the Group identified a misstatement and made corrections in the presentation and disclosures of certain balances in the previously issued consolidated financial statements for the year ended 31 December 2018.

Adjustments relating to classification of unlisted investment funds

The investments in unlisted investment funds which were previously classified as equity instruments at FVOCI contain a contractual obligation for the funds upon its termination to distribute to the Group a pro rata share of their net assets at the date of its termination or to redeem or repurchase that instrument for cash or other financial assets upon exercise by the Group. Accordingly, those investments do not meet the definition of an equity instrument in HKAS 32 Financial Instruments: Presentation and cannot be designated at FVOCI by the Group. Such investments should have been classified as financial assets at FVTPL under HKFRS 9 as at 1 January 2018.

Accordingly, certain prior year adjustments have been made and certain comparative information has been restated to correct these errors. The effect of correcting these errors are as follows:

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

	As previously reported HK$'000	**Prior year adjustments** HK$'000	**As restated** HK$'000
Other income, gains and losses	(348,303)	(63,588)	(411,891)
Loss before tax	(436,564)	(63,588)	(500,152)
Loss for the year	(437,374)	(63,588)	(500,962)
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity instruments at FVOCI	(72,382)	63,588	(8,794)
Other comprehensive income for the year, net of income tax	(85,479)	63,588	(21,891)
Total comprehensive income for the year	(522,853)	–	(522,853)
Loss for the year attributable to:			
Owners of the Company	(437,330)	(63,588)	(500,918)
Non-controlling interests	(44)	–	(44)
	(437,374)	(63,588)	(500,962)
Loss per share			
– Basic and diluted (HK Cents)	(14.23)	(2.07)	(16.30)

44. PRIOR YEAR ADJUSTMENTS *(Continued)*

Impact on the consolidated statement of financial position as at 31 December 2018:

	As previously reported HK$'000	Prior year adjustments HK$'000	As restated HK$'000
Non-current assets			
Financial assets at FVTPL	26,269	172,692	198,961
Equity instruments at FVOCI	172,692	(172,692)	–

Impact on the consolidated statement of changes in equity as at 31 December 2018:

	As previously reported HK$'000	Prior year adjustments HK$'000	As restated HK$'000
Investment revaluation reserve	(209,473)	205,164	(4,309)
Accumulated losses	(2,668,338)	(205,164)	(2,873,502)

Impact on the consolidated statement of financial position as at 1 January 2018:

	As previously reported HK$'000	Prior year adjustments HK$'000	As restated HK$'000
Non-current assets			
Financial assets at FVTPL	–	313,017	313,017
Equity instruments at FVOCI	326,342	(313,017)	13,325

Impact on the consolidated statement of changes in equity as at 1 January 2018:

	As previously reported HK$'000	Prior year adjustments HK$'000	As restated HK$'000
Investment revaluation reserve	(211,190)	142,788	(68,402)
Accumulated losses	(2,153,348)	(142,788)	(2,296,136)

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2019

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2016 HK$'000	Year ended 31 December 2017 HK$'000	Year ended 31 December 2018 HK$'000 (Restated)	**Year ended 31 December 2019 HK$'000**
Revenue					
– Continuing operations	131,152	70,555	35,545	41,613	**84,172**
– Discontinued operation	40,143	53,569	–	–	**–**
	171,295	124,124	35,545	41,613	**84,172**
Loss before tax	(148,909)	(915,727)	(922,431)	(500,152)	**(69,433)**
Income tax expense	(7,044)	(5,847)	(450)	(810)	**(1,810)**
Loss for the year from discontinued operation	(36,272)	(5,986)	–	–	**–**
Loss for the year	(192,225)	(927,560)	(922,881)	(500,962)	**(71,243)**
(Loss)/profit for the year attributable to:					
Owners of the Company	(191,838)	(926,717)	(922,661)	(500,918)	**(71,651)**
Non-controlling interests	(387)	(843)	(220)	(44)	**408**
	(192,225)	(927,560)	(922,881)	(500,962)	**(71,243)**

	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000	As at 31 December 2017 HK$'000	As at 31 December 2018 HK$'000 (Restated)	**As at 31 December 2019 HK$'000**
Assets and liabilities					
Total assets	4,535,489	3,252,423	2,180,409	1,544,390	**1,434,426**
Total liabilities	(952,601)	(378,285)	(166,200)	(99,000)	**(50,749)**
Net assets	3,582,888	2,874,138	2,014,209	1,445,390	**1,383,677**
Capital and reserves					
Total equity attributable to owners of the Company	3,579,424	2,869,036	2,009,327	1,443,927	**1,381,806**
Non-controlling interests	3,464	5,102	4,882	1,463	**1,871**
Total Equity	3,582,888	2,874,138	2,014,209	1,445,390	**1,383,677**