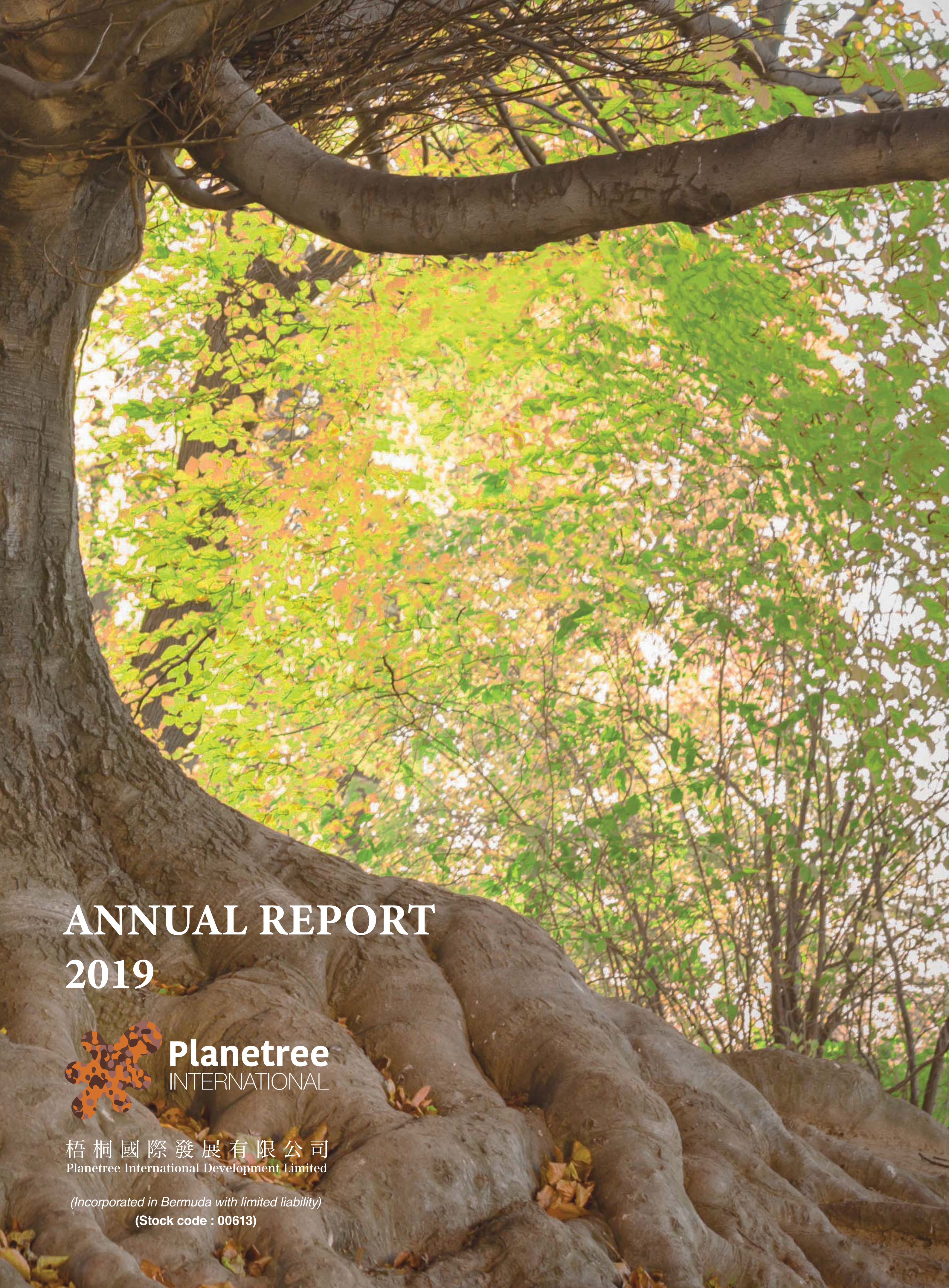

ANNUAL REPORT 2019

Planetree INTERNATIONAL

梧桐國際發展有限公司
Planetree International Development Limited

(Incorporated in Bermuda with limited liability)

(Stock code : 00613)

Contents

Corporate Information

(updated on 1 April 2020)

BOARD OF DIRECTORS

Executive Directors
Mr. Lam Hiu Lo
Mr. Liang Kang
Ms. Cheung Ka Yee
Ms. Tsang Wing Man
Mr. Wong Hung Wai

Non-Executive Director
Mr. Kwong Kai Sing, Benny *(Acting Chairman)*
(re-designated from Independent Non-Executive Director to Non-Executive Director and appointed as Acting Chairman on 1 April 2020)

Independent Non-Executive Directors
Mr. Chan Sze Hung
Mr. Ha Kee Choy, Eugene
Mr. Zhang Shuang *(appointed on 1 April 2020)*
Mr. Chung Kwok Pan *(appointed on 1 April 2020)*

COMMITTEES

Audit Committee
Mr. Ha Kee Choy, Eugene *(Chairman)*
Mr. Chan Sze Hung
Mr. Chung Kwok Pan *(appointed on 1 April 2020)*

Nomination Committee
Mr. Kwong Kai Sing, Benny *(Chairman)*
Mr. Ha Kee Choy, Eugene
Mr. Chung Kwok Pan *(appointed on 1 April 2020)*

Remuneration Committee
Mr. Ha Kee Choy, Eugene *(Chairman)*
Ms. Cheung Ka Yee
Mr. Chung Kwok Pan *(appointed on 1 April 2020)*

AUTHORISED REPRESENTATIVES

Ms. Cheung Ka Yee
Ms. Yuen Yu Hung

COMPANY SECRETARY

Ms. Yuen Yu Hung

EXTERNAL AUDITORS

Mazars CPA Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

LEGAL ADVISERS

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Tel: 3198 0238
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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

http://www.planetreeintl.com

HKEX STOCK CODE

00613

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Planetree International Development Limited (the "**Company**"), I am pleased to present this annual report to you.

The 2019 annual report cover features an image of a plane tree or "Wuton" in Chinese. The name "Planetree International Development Limited" was suggested and adopted by the Company in July 2019 following the change in controlling shareholder in January 2019. Wuton and what it symbolizes hold dear to the heart of our major shareholder who was educated in America and finds her root or heritage back to Shanghai. Our tree, specifically the London plane tree, is a marriage or hybrid between the American sycamore and the Oriental plane, first came together in Vauxhall Gardens in London and have been introduced to different regions around the world. It was first introduced to Shanghai in 1902 and has since become the tree of Shanghai, where every two out of three trees in Shanghai is a wuton.

Wuton is a survivor! Known to be unusally adaptive and versatile, plane trees can grow in almost any soil, temperatures, and survives under all weather conditions. The root is shallow but grows to a sizable system that allows the tree to mature to as high as 100 feet. Its bark peels off and as a result, it has high tolerance against air pollution, diseases, and pests.

Wuton is a provider! Plane tree offers resistance against pollution due to its ability to absorb large quantities of carbon dioxide. Plane trees are of the genus Platanus, derived from the Greek word "platys", meaning wide and broad, indicating the wide leaves and broad canopy of the tree. The trees provide the much needed shaded areas in parks for people to gather and the beautiful tree lined streets provide the environment with cool and fresh air.

Plane trees were planted in ancient Greece or more specifically, in Plato's academy as trees of higher truth and integrity. Whether we are formulating business plans and strategies for the Company or exploring business opportunities, these are the images that we would like to bring to our shareholders.

By order of the Board
Planetree International Development Limited
Kwong Kai Sing, Benny
Acting Chairman

Hong Kong, 1 April 2020

Management Discussion and Analysis

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Planetree International Development Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019.

REVIEW OF RESULTS

During the year under review, the revenue of the Group decreased by HK$60.1 million or 91% to HK$5.8 million as compared to last year. The drop in revenue of the Group during the period under review was attributable to: (i) a net loss HK$43.0 million on disposal of part of its financial assets at fair value through profit or loss ("**FVPL**") as compared to a net gain of HK$10.6 million in 2018; and (ii) a drop in the overall dividend income from listed equity investments under Treasury Management Business by HK$19.8 million.

The Group recorded a consolidated profit of HK$22.3 million attributable to shareholders of the Company for the year ended 31 December 2019, representing a decrease of HK$86.9 million or 80% from last year. Apart from the aforesaid drop in revenue, the year-on-year drop in the Group's profitability was mainly a result of: (i) the fair value loss for HK$6.3 million in respect of the Group's investment properties recorded in the year under review versus a fair value gain for HK$24.9 million last year; and (ii) no more share of profit of an associate during the year (approximately HK$28.0 million last year) after the Company's distribution of the shares in the associate to the Shareholders in Quarter 4 of 2018, notwithstanding the Group recorded an interest income of HK$12.4 million and a disposal gain of HK$11.5 million from debt investments at amortised cost.

The basic and diluted earnings per share for the year was HK0.24 cents, whereas the basic and diluted earnings per share of HK1.17 cents was recorded for the last corresponding year.

FINAL DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil). No interim dividend was declared for the financial years of 2019 and 2018, except for the distribution in specie of shares of The Cross-Harbour (Holdings) Limited and distribution in specie of shares of Y. T. Realty Group Limited in an aggregate fair value of HK$1,460.1 million declared for the financial year of 2018.

BUSINESS REVIEW

With the aim at enhancing the long-term growth potential of the Group, concrete actions were taken by the Group in year 2019 to implement the business diversification strategy by reducing the scale of the Group's proprietary trading of listed equity investments so as to allocate more resources for acquiring an established group of securities companies to develop the business of providing financial services to clients. The Board has also reclassified the money lending business from Treasury Management Business segment to Financial Services Business segment to better reflect the nature of money lending business.

Treasury Management Business

During the year under review, the Hong Kong stock market was volatile, mainly due to the prolonged trade war between China and the U.S. To contain the risks in the equity market and to allocate more resources to develop the business of financial services, the Group sold part of its financial assets at FVPL during 2019. Hence, the Group's portfolio of financial assets at FVPL reduced from HK$818.5 million as at 31 December 2018 to HK$505.6 million as at 31 December 2019. During the year, the Group recorded a net loss for HK$43.0 million on disposal of part of its financial assets at FVPL (2018: HK$10.6 million net gain), inclusive of the writing down of the nominal amount of a promissory note for HK$190 million receivable by the Group by approximately HK$19 million after taking account of its discounted present value and expected credit loss for valuation purpose. Meanwhile, the financial assets at FVPL of the Group recorded a net fair value gain of HK$47.4 million for the year (2018: HK$2.1 million net loss). Furthermore, the Group received dividend income of HK$8.5 million on the financial assets at FVPL for the year (2018: HK$28.3 million). The drop in dividend income was primarily a result of the Company's distribution in specie of its interests in Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited to the Company's shareholders in the year 2018.

Management Discussion and Analysis

In order to secure a more stable stream of interest income to the Group, the Group has held certain debt investments at amortised cost (senior notes) bearing an annual coupon interest rate ranging from 5.75% to 8.7% issued by certain local listed issuers. During the year, the Group changed the portfolio of the debt investments at amortised cost and recorded a net gain for HK$11.5 million (2018: Nil) for disposal of debt investments at amortised cost while the portfolio of debt investments at amortised cost reduced to HK$39.7 million as at 31 December 2019 (2018: HK$66.8 million). The interest from debt investments at amortised cost contributed a sum of interest income of HK$12.4 million to the Group for the year under review (2018: HK$0.4 million).

Property Leasing Business

The Group carries on Property Leasing Business by directly holding various classes of properties in Hong Kong including commercial, industrial and residential properties for generation of rental income. The aggregate rental income from Property Leasing Business was HK$12.3 million for the year (2018: HK$11.3 million). The increase in rental income was a result of steady rise in the rental rate for lease renewals.

As at the end of the year under review, the carrying amount of investment properties under the Property Leasing Business segment were revalued to HK$457.7 million by an independent professional valuer with a total fair value losses of HK$6.3 million for the year (2018: total fair value gains of HK$24.9 million).

During the year 2018, the Group carried on its Property Investment Business through Y. T. Realty Group Limited, which was a former associate of the Group. On 23 November 2018, the Company completed the distribution in specie of all its entire interests in Y. T. Realty Group Limited as an interim dividend to shareholders of the Company. Since then, the Group has consolidated the Property Investment Business with its Property Leasing Business.

Financial Services Business

Money Lending

Under a prudent approach in money lending business during the year, the interest income earned from money lending business slightly reduced to HK$14.1 million for the year (2018: HK$15.3 million). The balance of loan and interest receivables as at 31 December 2019 was HK$87.1 million (2018: HK$116.8 million).

Brokerage and Other Related Services

As disclosed in the Company's announcement dated 3 May 2019 and as stated in the composite document in relation to the conditional mandatory cash offer of the Company dated 28 March 2019, the controlling shareholder of the Company intended to formulate long-term business plans and strategy of the Company, explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification would be appropriate in order to enhance the long-term growth potential of the Company.

In line with this business plan and strategy, the Company intends to focus on developing its financial services business and has accordingly through a wholly-owned subsidiary (namely, Planetree Cayman Limited) completed the acquisition of a majority stake (approximately 52.63% shareholding) in Liberty Capital Limited ("**Liberty**") on 12 December 2019, which through its subsidiaries principally engages in the business of investment holding, property investment and provision of financial services with licenses to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). Moreover, Liberty (through its subsidiaries) is applying for a licence to carry out Type 7 (providing automated trading services) and Type 8 (securities margin financing) regulated activities. Subsequent to the acquisition of the aforesaid majority stake in Liberty, Liberty conducted three shares buybacks from certain minority shareholders in December 2019 and Planetree Cayman Limited injected further equity capital into Liberty in January 2020. The Company currently holds approximately 82.22% equity interest in Liberty.

Management Discussion and Analysis

Since the completion of the said acquisition, the Company has its own platform to develop its new business segment of providing asset management, securities trading services and other financial services. The Company also intends to leverage the expertise of Liberty in the securities market and its clientele to enhance the Group's own treasury management activities and proprietary trading of securities investments as well as to expand the Group's loan financing (inclusive of margin loan financing) business. There was only about half a month between the said acquisition completion date (i.e. 12 December 2019) and the year-end under review (i.e. 31 December 2019). During this short period under review, Liberty recorded a fee and commission income for about HK$0.7 million and an interest income from margin clients for another HK$0.7 million, which were consolidated into the Group's results (2018: Nil).

To unify the corporate image within the Group, Liberty and its principal subsidiaries have recently adopted the keyword "Planetree" in their corporate name.

OUTLOOK AND STRATEGY

The novel coronavirus disease 2019 (**COVID-19**) pandemic in the first quarter of 2020 has caused indices of global financial markets including Hang Seng Index to drop significantly. The adverse impacts of the COVID-19 pandemic on the global property markets and securities markets are likely to last for some time. Hence, the full year business outlook of the Group in 2020 will be uncertain.

Experience tells us that uncertainties will create risks and opportunities. The Group will keep a close watch on market changes and make appropriate strategic adjustments to the Group's assets portfolio with business diversification in order to maximize the returns to shareholders of the Company.

Having changed the company name from "Yugang International Limited" to "Planetree International Development Limited" during 2019, the Company intends to establish a new image and is poised to formulate long-term business plans and strategy of the Company. To this end, the acquisition of Liberty since December 2019 has demonstrated the Group's concrete step taken to develop the business in provision of financial services to clients. The Group will explore other attractive business opportunities (particularly those in the finance industry and properties, both local and overseas) aiming at enhancing the long-term growth potential and business diversification of the Group.

The Company's shares are currently traded on the Hong Kong Stock Exchange at around HK$0.1 per share (i.e. the closing price as at the date of this report), representing a discount of about 48% to the consolidated net asset value of approximately HK$0.191 per share as at 31 December 2019. To make the Company's shares more attractive to institutional and professional investors with guidelines stipulating minimum trading price of potential investments, the Board intends to put forward a share consolidation scheme to bring about an upward adjustment to the share price of the Company. Further announcement will be published by the Company as and when necessary.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately HK$5.8 million for the year, representing a drop of HK$60.1 million or 91% from the last corresponding year. The drop in revenue was mainly a result of the net loss for HK$43.0 million on disposal of financial assets at FVPL (2018: net gain of HK$10.6 million) and less dividend income of HK$8.5 million from financial assets at FVPL held by the Group (2018: HK$28.3 million).

Other Comprehensive Income

The Group recorded no other comprehensive income for the year (2018: other comprehensive income of HK$209.9 million), which arose from a release of other reserves upon distribution in specie of shares in an associate.

Management Discussion and Analysis

Net Asset Value

As at 31 December 2019, the consolidated net asset value of the Group was HK$1,776.7 million (2018: HK$1,632.4 million). The consolidated net asset value per share of the Group was HK$0.191 (2018: HK$0.175). The Group's total assets and total liabilities were HK$2,040.5 million (2018: HK$1,646.8 million) and HK$263.8 million (2018: HK$14.5 million) respectively.

Capital Structure

The Group's capital expenditure and investments were mainly funded from cash on hand, internally-generated funds and bank borrowings.

The Group consistently adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars and Hong Kong dollars. The Group does not use any financial instruments for hedging purpose.

Liquidity and Financial Resources

The Group's cash and cash equivalents, being mainly denominated in Hong Kong dollars, was HK$232.3 million as at 31 December 2019 (2018: HK$168.9 million). The cash and cash equivalents and the financial assets at FVPL in aggregate were HK$737.9 million as at 31 December 2019 (2018: HK$987.4 million). The liquidity of the Group was very strong with a current ratio of 4.7 as at 31 December 2019 (2018: 91.6).

The Group had bank borrowing in the sum of HK$186.9 million as at 31 December 2019 (2018: Nil). The Group did not have any available short-term revolving banking facilities as at 31 December 2019 (2018: HK$150.0 million, and none of them were utilised as at 31 December 2018).

Exposure to Fluctuation in Exchange Rates and Related Hedges

As the Group's major source of income, expenses, major assets and bank deposits were denominated in Hong Kong dollars and U.S. dollars, the Group's exposure to fluctuation in foreign exchange rates was minimal due to the pegged exchange rate. The Group did not have any related hedging instruments.

Gearing Ratio

As at 31 December 2019, the gearing ratio of the Group, as measured by dividing the net debt to Shareholders' equity, was inapplicable as it became negative when cash and cash equivalents could entirely cover the total debt (2018: inapplicable). Net debt was calculated as bank borrowings plus other payables and accruals, net of cash and cash equivalents.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2019 (2018: Nil).

Charges on Group Assets

As at 31 December 2019, the Group pledged its investment properties with an aggregate carrying value of approximately HK$313.2 million as security for general banking facilities granted to the Group (2018: HK$130.3 million).

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

The Group maintained a diversified portfolio of financial assets at FVPL with a carrying value of HK$505.6 million as at 31 December 2019 (2018: HK$818.5 million). At the year end, the Group held a total of 13 listed companies in the portfolio of financial assets at FVPL, all of which are listed in Hong Kong. The significant investments held by the portfolio during the year under review included:

1. ***C C Land Holdings Limited ("C C Land") (stock code: 1224)***

   C C Land principally engages in property development and investment and treasury investments. The Group sold all its shares in C C Land with carrying value of HK$552.3 million as at 31 December 2018 and a loss of HK$49.5 million was recognised in the consolidated statement of profit or loss during the year. The Group received a dividend income of HK$5.8 million from C C Land during the year (2018: HK$5.8 million).

Management Discussion and Analysis

2. ***China Dili Group ("China Dili") (stock code: 1387)***
   China Dili is one of the leading operators of agricultural produce wholesale markets in China. The carrying value of China Dili was stated at fair value of approximately HK$214.1 million as at 31 December 2019 and a fair value gain of approximately HK$13.0 million was recognised during the period.

3. ***Newton Resources Limited ("Newton Res") (stock code: 1231)***
   Newton Res principally engages the trading business of iron ore, other commodities and construction materials and the mining businesses. The Group sold part of its shares in Newton Res with carrying value of HK$12.0 million as at 31 December 2018 and a loss of HK$2.8 million was recognised in the consolidated statement of profit or loss during the year. The carrying value of Newton Res was stated at fair value of HK$122.1 million as at 31 December 2019 and a fair value gain of approximately HK$3.6 million was recognised during the year.

4. ***Shengjing Bank Co., Ltd ("Shengjing Bank") (stock code: 2066)***
   Shengjing Bank principally engages in banking and financing services in China. The carrying value of Shengjing Bank was stated at fair value of HK$60.5 million as at 31 December 2019 and fair value gain of HK$26.4 million was recognised during the year. The Group received a dividend income of approximately HK$1.2 million from Shengjing Bank during the period.

5. ***Senior notes (debt investments)***
   The Group has held certain senior notes bearing an annual coupon interest rate ranging from 7.875% to 8.5% issued by two separate local listed issuers (namely, Kaisa Group Holdings Ltd. with stock code: 1638 and Fantasia Holdings Group Co., Limited with stock code: 1777, both of which principally engage in property development and related services in China) with a sum of carrying value of HK$66.8 million as at 31 December 2018 were sold during the year. The Group recorded a sum of interest income of HK$12.4 million from all the senior notes at amortised cost and a gain of disposal of HK$11.5 million during the year. The Group then replenished the portfolio of debt investments at amortised cost by acquiring five bonds bearing an annual coupon interest rate ranging from 5.75% to 8.7% issued by five separate issuers, with a sum of carrying value of HK$39.7 million as at 31 December 2019.

6. ***China Resources Pharmaceutical Group Limited ("CR Pharm") (stock code: 3320)***
   CR Pharm principally engages in pharmaceutical and other healthcare products. During the year, the Group sold all its shares in CR Pharm with a carrying value of HK$145.5 million as at 31 December 2018 to realise a sum of gains for HK$9.4 million.

Save as disclosed above, there was no other significant investment held, nor were there any material acquisitions or disposals of subsidiaries (other than the acquisition of Liberty Capital Limited and its subsidiaries as disclosed in the "Business Review" section above), associates or joint ventures during the year under review. In view of the recent COVID-19 pandemic, the business outlook of the significant investments held by the Group will be uncertain in 2020. There was no present plan authorised by the Board for material investments or acquisition of material capital assets as at the date of this report.

Significant Events since the End of the Reporting Period

On 22 January 2020, Planetree Cayman Limited entered into a subscription agreement with Liberty to subscribe for 1,700 new shares at a total consideration of HK$227,800,000. Upon completion, the Group has held approximately 82.22% ordinary equity interests in Liberty Group attributable to the equity holders of the Company. The subscription was completed in January 2020.

Save as disclosed above, there were no other significant events affecting the Group since the end of the reporting period.

Management Discussion and Analysis

OTHER INFORMATION

Human Resources Practices

The Group's Remuneration Policy is to ensure fair and competitive packages based on business needs and industry practice. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, inflation, employment conditions elsewhere in the Group and salaries paid by comparable companies. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will all be considered.

There are approximately 30 effective work forces serving the Group as at 31 December 2019. The Group also provides other staff benefits including MPF, medical insurance and discretionary training subsidy. The Company also operates a discretionary share option scheme to motivate the performance of employees.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank Mr. Cheung Chung Kiu, Mr. Yuen Wing Shing, Mr. Zhang Qing Xin, Mr. Lee Ka Sze, Carmelo, Mr. Luk Yu King, James, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu for their contributions to the Board until their resignation as directors of the Company on 30 April 2019. I would like to extend our gratitude and sincere appreciation to the management and all staff for their diligence and dedication to the Group throughout the period.

By order of the Board
Planetree International Development Limited
Cheung Ka Yee
Executive Director

Hong Kong, 30 March 2020

Corporate Governance Report

The Board is committed to an ongoing enhancement of effective and efficient corporate governance practices. The Board recognises that good corporate governance practices are essential in bringing up the success of the Company, upholding accountability and transparency, and balancing the interests of shareholders, investors and employees of the Company as a whole.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining high standards of corporate governance practice. Throughout the year ended 31 December 2019, the Company complied with all code provisions of Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for deviation from code provisions A.2 and D.1.4. For code provision A.2, the positions of "chairman" and "chief executive officer" have been left vacant by the Company since the change of composition of the Board on 30 April 2019. The Board requires additional time to identify a suitable candidate to act as the chairman of the Board and the Group's chief executive officer respectively. As a transitional arrangement, the Directors elect one of them to act as chairman of the meetings of the Company by rotation and Ms. Cheung Ka Yee has served the role of chief executive officer of the Group. For code provision D.1.4, the Company does not have formal letter of appointment for Directors setting out key terms and conditions of their appointment. The Company is of the view that the current arrangement is more appropriate and flexible, particularly in light of the current business activities and operational structure of the Company. All Directors have a clear understanding of terms and conditions of their appointment already exists between the Company and Directors. Additionally, each Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years pursuant to bye-laws of the Company (the "**Bye-Laws**"). The Board will review these arrangements in light of the evolving development of the Group's business activities.

The Company will continually review its corporate governance framework to ensure best corporate governance practices. Save as disclosed above, there were no significant changes in the Company's corporate governance practice or from the information disclosed in the Corporate Governance Report in the latest published annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors and relevant employees. Following specific enquiry by the Company, each Director confirmed that throughout the year ended 31 December 2019, they have complied with the required standards set out in the Model Code.

DIRECTORS' INTERESTS

The interests and short positions of Directors of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as at 31 December 2019 and 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 were contained in the section headed "Directors' and Chief Executive's Interests" of the annual report.

STRATEGIC PLANNING

The corporate strategy of the Group focuses on the development of the financial services business for long-term growth. In addition, the Group aims to strike a balance between maintaining a sound financial and management capabilities and enhancing the shareholder's return.

Corporate Governance Report

THE BOARD

A. Board Composition

The Company is headed by an effective Board which is responsible for promoting the success of the Company, and balancing the long-term interest of shareholders and stakeholders. At the date of this report, the Board are comprises eight Directors, among whom five are executive Directors and three independent non-executive Directors ("**INEDs**"). One-third of the Board consists of INEDs which complied with Rule 3.10 and 3.10A of the Listing Rules. Such balanced composition of executive and non-executive Directors ensures a strong independent element on the Board, and provides adequate check and balance to safeguarding the interest of shareholders and the Company as a whole. Members of the Board come from different backgrounds and possess diverse range of professional expertise and experience, collectively have balance of skill, competence and personal qualities relevant to the business of the Group and therefore discharge the responsibilities efficiently and effectively. They are experienced personnel with academic or professional qualifications either in accounting, legal or business management and at least one of whom has appropriate professional qualification of accounting or related financial management expertise.

At a meeting held on 30 March 2020, the Nomination Committee reviewed the Board composition and resolved that the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board was appropriate and thereby achieving the measurable objectives of the Board Diversity Policy and complied with the Listing Rules. Save as disclosed herein, none of the Directors have any relationship (including financial, business, family or other material/relevant relationship) between each other. The list of Directors and their biographical details are set out in the section headed "Profiles of Directors and Senior Management" of this annual report.

The following chart illustrates the current Board composition including Board Committees:

Board of Directors

Executive Directors	**Independent Non-Executive Directors**
Lam Hiu Lo Liang Kang Cheung Ka Yee Tsang Wing Man Wong Hung Wai	Chan Sze Hung Ha Kee Choy, Eugene Kwong Kai Sing, Benny

Audit Committee	**Nomination Committee**	**Remuneration Committee**
Ha Kee Choy, Eugene *(Chairman)* Chan Sze Hung Kwong Kai Sing, Benny	Kwong Kai Sing, Benny *(Chairman)* Tsang Wing Man Ha Kee Choy, Eugene	Ha Kee Choy, Eugene *(Chairman)* Cheung Ka Yee Kwong Kai Sing, Benny

B. Board Delegation

The Board steers the Company's business direction. The executive Directors undertake full accountability to the Board for day-to-day management and operation of the Group. Directions as to the powers delegated to management are clearly identified. The Board shall review the delegation arrangement periodically to ensure it remains appropriate to the Company's need.

The Board has reserved the following functions to the Board. Or, prior approval from the Board is required if the management is dealing with the following functions:

1. To formulate long-term corporate strategy and business development plans;

2. To declare an interim dividend, a final dividend or to declare or recommend other distribution;

3. To supervise and monitor performance of management;

4. To review the effectiveness of the risk management and internal control systems of the Group;

5. To be responsible for the appointment, removal or re-appointment of Directors, senior management and external auditors, and determine the remuneration of Directors and senior management based on the recommendations of the Remuneration Committee; and

6. To recommend members of the Company for winding up of the Company.

C. Board Committees

The Board delegated authorities to three Board committees to deal with matters, and specific written terms of reference were clearly set out to enable them to perform their functions properly. Board committees are required, unless restricted by laws and regulations, to report to the Board on their decisions or recommendations on a regular basis.

1. Audit Committee

Detailed information on the works and duties of the Audit Committee is contained in the Report of the Audit Committee in this annual report.

2. Nomination Committee

Members of the Nomination Committee during the year and up to the date of this report were:

Mr. Kwong Kai Sing, Benny *(Chairman, appointed on 30 April 2019)*
Ms. Tsang Wing Man *(appointed on 30 April 2019)*
Mr. Ha Kee Choy, Eugene *(appointed on 30 April 2019)*
Mr. Cheung Chung Kiu *(resigned on 30 April 2019)*
Mr. Leung Yu Ming, Steven *(resigned on 30 April 2019)*
Mr. Ng Kwok Fu *(resigned on 30 April 2019)*

The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice at the Company's expense if considered necessary. The major roles and functions of the Nomination Committee are set out in its terms of reference which are published on websites of the Company and the Stock Exchange.

On 26 August 2013, the Company adopted the Board Diversity Policy which was then amended by the resolutions of the Board on 30 November 2018 to take effect on 1 January 2019, which aims to set out the approach to achieve diversity on the Board. The Nomination Committee is responsible for monitoring the implementation and recommending any revisions that may be required to ensure effectiveness of the Policy. In addition, the Nomination Committee will discuss, review and agree annually on measurable objectives for implementing diversity on the Board. Moreover, the Board has adopted the Director Nomination Policy on 13 March 2014 which was then amended by the resolutions of the Board on 30 November 2018 to take effect on 1 January 2019. The Board will review these policies periodically to keep it up to date and in compliance with the Listing Rules, all applicable laws and regulatory obligations and requirements.

Corporate Governance Report

At a meeting of the Nomination Committee held on 30 March 2020, the following matters were discussed, reviewed and approved:

2.1 the structure, size, composition and diversity of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

2.2 to assess the independence of INEDs by reference to the independent criteria set out in Rule 3.13 of the Listing Rules; and

2.3 the Director Nomination Policy and the Board Diversity Policy and their implementation.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of professional background or skills.

Attendance of individual Directors at the meeting of the Nomination Committee is set out in the section headed "Directors' Attendance and Time Commitment".

3. *Remuneration Committee*

Members of the Remuneration Committee during the year and up to the date of this report were:

Mr. Ha Kee Choy, Eugene *(Chairman, appointed on 30 April 2019)*
Ms. Cheung Ka Yee *(appointed on 30 April 2019)*
Mr. Kwong Kai Sing, Benny *(appointed on 30 April 2019)*
Mr. Cheung Chung Kiu *(resigned on 30 April 2019)*
Mr. Leung Yu Ming, Steven *(resigned on 30 April 2019)*
Mr. Ng Kwok Fu *(resigned on 30 April 2019)*

The company secretary of the Company serves as the secretary of the Remuneration Committee and minutes of the meetings have been sent to members within a reasonable time after the meetings. The major roles and functions of the Remuneration Committee are set out in its terms of reference which are published on the websites of the Company and the Stock Exchange.

In dealing with remuneration packages of Directors, no member of the Remuneration Committee was involved in deciding his/her own remuneration packages. The Board reviews the Remuneration Policy annually to ensure remuneration packages offered by the Company remains fair and competitive based on business needs and industry practice to attract and retain Directors to run the Company successfully without paying more than necessary. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest level as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, inflation, employment conditions elsewhere in the Group and salaries paid by comparable companies. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will all be considered. The Remuneration Committee considered the remuneration proposals of executive Directors, and taking into consideration other relevant factors including corporate goals and objectives of the Company in recommending remuneration of Directors. The Company has provided sufficient resources for them to perform duties and they may access to professional advice if considered necessary.

At a meeting of the Remuneration Committee held on 30 March 2020, the following matters were discussed, reviewed and approved:

3.1 2020 Remuneration Policy of the Group;

3.2 management's remuneration proposal with reference to the Company's corporate goals and objectives;

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3.3 to make recommendation to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and compensation payable for loss or termination of their office or appointment (if any); and

3.4 to make recommendation to the Board on the remuneration of non-executive Directors.

Attendance of individual Directors at the meeting of the Remuneration Committee is set out in the section headed "Directors' Attendance and Time Commitment". Information relating to the remuneration of each Director for 2019 is set out in note 11 of the Notes to the Consolidated Financial Statements.

4. Corporate Governance Functions

The Board does not have a Corporate Governance Committee. However, the Corporate Governance functions as set out in Code Provision D.3.1 of the Corporate Governance Code are performed by the Board. On 30 March 2020, the Board has conducted a meeting to transact the following corporate governance matters:

4.1 to review the Company's policies and practices on corporate governance;

4.2 to review the training and continuous professional development of Directors and senior management;

4.3 to review the Company's policies and practices in compliance with legal and regulatory requirements;

4.4 to review the Code of Conduct; and

4.5 to review the Company's compliance with the Corporate Governance Code and applicable disclosure in the Corporate Governance Report.

D. Directors' Attendance and Time Commitment

The members of the Board meet regularly to review and discuss the overall strategy, operational and financial performance of the Company. Normally four regular meetings of the full Board will be held at quarterly intervals and special ad hoc Board meetings will be convened when necessary to deal with everyday matters which require the Board's prompt decision. In addition, the Company has established various Board committees under the Board and members of the committees have met at least annually to conduct business of the committees. All Directors are experienced personnel with academic or professional qualifications either in accounting, legal or business management, and who have given the Board and Board committees the benefits of their skills, expertise, backgrounds and qualifications through regular attendance and active participation. All Directors have attended the general meetings and have developed a balanced understanding of the views of Shareholders in general.

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During the year of 2019, the attendance record of Directors at Board meetings, Board committee meetings and general meetings are set out hereunder:

	Number of meetings attended/held				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	General Meetings
Number of meetings held	11	4	2	2	2
Executive Directors					
Lam Hiu Lo	9/11	N/A	N/A	N/A	2/2
Liang Kang	9/11	N/A	N/A	N/A	2/2
Cheung Ka Yee *(appointed on 30 April 2019)*	7/7	N/A	1/1	N/A	2/2
Tsang Wing Man *(appointed on 30 April 2019)*	7/7	N/A	N/A	1/1	2/2
Independent Non-Executive Directors					
Chan Sze Hung *(appointed on 30 April 2019)*	5/7	3/3	N/A	N/A	2/2
Ha Kee Choy, Eugene *(appointed on 30 April 2019)*	5/7	3/3	1/1	1/1	2/2
Kwong Kai Sing, Benny *(appointed on 30 April 2019)*	6/7	3/3	1/1	1/1	2/2
Directors resigned on 30 April 2019					
Cheung Chung Kiu	3/4	N/A	1/1	1/1	N/A
Yuen Wing Shing	4/4	N/A	N/A	N/A	N/A
Zhang Qing Xin	0/4	N/A	N/A	N/A	N/A
Lee Ka Sze, Carmelo	1/4	1/1	N/A	N/A	N/A
Luk Yu King, James	3/4	1/1	N/A	N/A	N/A
Leung Yu Ming, Steven	3/4	1/1	1/1	1/1	N/A
Ng Kwok Fu	3/4	1/1	1/1	1/1	N/A

Each Director is aware of his/her obligation to give sufficient time and attention to the affairs of the Company and should not accept the appointment if he/she cannot do so. Upon reviewing (i) the attendance rates of each Director in general meetings, Board meetings and their respective board committee meetings; (ii) written confirmation of Directors regarding the number and nature of offices held in public companies or organisations and other significant commitments pursuant to code provision A.6.6; and (iii) written confirmation of Directors to give sufficient time and attention to the affairs of the Company throughout the terms of their appointments, the Board is of the view that all Directors have spent sufficient time in performing their responsibilities during the year under review.

E. Induction and Continuous Professional Development of Directors

Every Director is required to keep abreast of his/her responsibilities as a Director and of the conduct, business activities and development of the Company. In-house briefings on regulatory updates and relevant continuous professional development seminars have been provided at the Company's expenses. Every newly appointed Director had received a comprehensive, formal and tailored induction on the first occasion of his/her appointment, and subsequently further briefings and continuous professional development will be arranged if necessary, to ensure each Director has a proper understanding of the Company's operation and business and that he is fully aware of his/her responsibilities under statute and common law, the Listing Rules and all other applicable regulations and governance.

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The Company acknowledges that Directors' training is an ongoing process. During the year under review, all Directors had been updated on the latest developments of the Listing Rules, Companies Ordinance or other applicable laws and regulations related to Directors' duties and responsibilities. In addition, the Company Secretarial Department has arranged training courses and encouraged Directors to attend courses at the Company's expenses. Directors have provided records of training to the Company Secretarial Department. All Directors confirmed that they have complied with code provision A.6.5 to the Listing Rules by attending various continuous professional development seminars held by external professional firms, in-house briefings or reading materials relevant to Directors' duties and responsibilities.

F. Supply of and Access to Information

The management has supplied the Board and Board Committees with adequate information in a timely manner to enable the Board to make informed decisions and to perform their duties and responsibilities as Director of the Company.

Generally, notice of Board meetings together with the proposed agenda are given to all Directors at least 14 days before each regular Board meeting and Directors are given an opportunity to include matters they wish to discuss in the agenda. Agendas and accompanying Board papers are provided to Directors at least 3 days before the intended date of a board or board committee meetings.

Minutes of the Board/Board Committee meetings with details of matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed, after circulation for comments by Directors, are kept by the company secretary or a duly appointed secretary of the relevant meeting and are open for inspection by Directors if necessary.

All Directors have access to the advices and services of the company secretary to ensure necessary Board procedures and all applicable rules and regulations are followed. All Directors are regularly updated on governance and regulatory matters. Directors, upon reasonable request, may have access to independent professional advice in appropriate circumstances at the Company's expenses.

The Company has arranged appropriate insurance cover in respect of legal action against Directors.

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The Board is fully aware that, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of written resolution or by a committee (except for an appropriate Board committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting will be held. INEDs who, and whose associates, have no material interest in the transaction will be present at such Board meeting.

ACCOUNTABILITY AND AUDIT

A. Directors' Responsibility for Financial Reporting

The Directors acknowledge the responsibility for preparing the accounts of the Group and to present a balanced, clear and understandable assessment in the Company's annual and interim reports and other financial disclosures in accordance with the Listing Rules and other statutory requirements and applicable accounting standards, so as to give a true and fair view of the state of affairs of the Company. As at 31 December 2019, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. The Directors also ensure the timely publication of the financial statements of the Group. During the year, in strict compliance with relevant provisions, the Company published the 2019 interim report and the 2018 annual report.

Management undertakes to provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before the Board for approval. In addition, management provides all members of the Board with monthly financial updates which give a balanced and understandable assessment of the Group's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under the relevant requirements of the Listing Rules.

In preparing the financial statements for the year ended 31 December 2019, the Board:

1. adopted Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

2. selected suitable accounting policies and applied them consistently;

3. made prudent and reasonable judgments and estimates; and

4. prepared the accounts on a going concern basis.

B. External Auditors and their Remuneration

Ernst & Young resigned as the auditors of the Company with effect from 6 December 2019 and Mazars CPA Limited was appointed as the auditors of the Company on 31 December 2019 to fill the casual vacancy so arising. There has been no other change in auditors of the Company in the past three years. The auditor's acknowledgment of reporting responsibilities is set out in the Independent Auditor's Report of the annual report. The independence of auditors is monitored by the Audit Committee and disclosed in the Report of the Audit Committee. Apart from providing audit services to the Group on annual consolidated financial statements, the auditors also provided non-audit services such as tax compliance services and services relating to the preparation of a major transaction circular, all appointments are in line with the Company's Policy on Use of External Auditors for Non-audit Services.

During the year under review, the remuneration paid/payable for services to the external auditors is as follows:

Services rendered	**Fees paid/ payable** *(HK$)*
Audit fee	1,350,000
Non-audit fees *(Note)*	1,240,000
Total	2,590,000

Note: Non-audit fees include fees of HK$190,000 and HK$1,050,000 for tax compliance services and services relating to the preparation of a major transaction circular, respectively.

C. Risk Management & Internal Control Systems

The Board acknowledges the responsibility of establishing, maintaining and operating a sound and effective risk management and internal control systems, and reviews its effectiveness periodically. An annual review on the effectiveness of the Group's risk management and internal control systems has been conducted by the Board and reviewed by the Audit Committee. The Board is of the view that, the risk management and internal control systems of the Group for the year under review is sound and effective. Detailed information on the Group's risk management and internal control systems was contained in the Report of the Risk Management & Internal Control Systems of the annual report.

COMPANY SECRETARY

For the year 2019, the Company appointed Mr. Albert T. da Rosa, Jr. (from an external secretarial services provider) as its company secretary from 1 January 2019 to 30 April 2019 and appointed Mr. Yeung Chi Lung (from another external secretarial services provider) to replace Mr. Albert T. da Rosa, Jr. as its company secretary with effect from 30 April 2019.

During the year ended 31 December 2019, Mr. Yeung Chi Lung took no less than 15 hours of relevant professional trainings.

Since 31 January 2020, Ms. Yuen Yu Hung (an employee of the Group) has replaced Mr. Yeung Chi Lung as the company secretary of the Company.

SHAREHOLDERS' RIGHTS

Set out hereunder is a summary of Shareholders' rights as required to be disclosed pursuant to Code Provision O of the Corporate Governance Code, which are subject to the Bye-Laws, Companies Act 1981 of Bermuda and applicable legislation and regulation.

Every year, an annual general meeting will be held by the Company. Further, the Board may whenever it thinks fit call general meetings known as special general meetings.

Shareholders who wish to convene a special general meeting or put forward proposals at any general meeting, including the proposal to nominate a person for election as a Director, should follow the applicable procedures described below.

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Procedures to Convene a Special General Meeting

1. Shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Company, to require a special general meeting to be called by the Board for transaction of any business specified in such requisition.

2. The requisition must state the purposes of such meeting, and must be signed by the requisitionists and deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda (the "Registered Office"), and may consist of several documents in like form each signed by one or more requisitionists. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 8/F., China United Centre, 28 Marble Road, North Point, Hong Kong (the "Principal Place of Business"), marked for the attention of the Board or the company secretary.

3. If Directors do not within twenty-one (21) days from the date of deposit of requisition proceed duly to convene a special general meeting to be held within two (2) months after the deposit of the requisition, 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 and be repaid by the Company for any reasonable expenses incurred, provided that any meeting so convened by the requisitionists shall not be held after the expiration of three (3) months from the said date of deposit of the requisition.

4. Other than an adjourned meeting,

    4.1 a special general meeting at which the passing of a special resolution is to be considered shall be called by at least twenty-one (21) clear days and not less than ten (10) clear business days written notice. All other special general meetings may be called by at least fourteen (14) clear days and not less than ten (10) clear business days written notice.

    4.2 any special general meeting may be called by shorter notice than that specified in sub-paragraph 4.1 above if it is so agreed by a majority in number of the Shareholders having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the shares giving that right.

Procedures to Put Forward Proposals at General Meetings

1. Any number of Shareholders representing not less than one-twentieth (1/20) of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the general meetings of the Company; or not less than one hundred (100) Shareholders, shall (unless otherwise resolved by the Company) at their own expense have the right, by written requisition to the Company: (a) to require notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting to be given to Shareholders; and/or (b) to request for circulation to Shareholders any statement of not more than one thousand (1000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

2. The requisition must be signed by the requisitionists in a single document or in separate copies prepared for the purpose. A copy of the signed requisition, accompanied by a sum reasonably sufficient to meet the Company's expenses, must be deposited at the Company's Registered Office: (a) in the case of a requisition requiring notice of a resolution, not less than six (6) weeks before the annual general meeting unless an annual general meeting is called for a date six (6) weeks or less after the copy has been deposited, in which case the copy shall be deemed to have been properly deposited though not deposited within the time required; and (b) in the case of any other requisition, not less than one (1) week before the general meeting. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's Principal Place of Business in Hong Kong, marked for the attention of the Board or the company secretary.

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Procedures to Propose a Person for Election as a Director
Detailed information and procedures for Shareholders to propose a person for election as a Director are set out in the Company's website www.planetreeintl.com.

DIVIDEND POLICY

The Board adopted the Dividend Policy on 30 November 2018 to take effect as from 1 January 2019. The Dividend Policy aims to maximize interests of Shareholders and at the same time, maintains a strong balance sheet for investment opportunities and sustainable development of the Group in the future.

Pursuant to the Dividend Policy, dividends proposed or declared, recommended or not recommended, the form, frequency and dividend amount are to be determined by the Board by taking into account various factors including the followings:

1. Any restrictions or requirements under Companies Act 1981 of Bermuda, other applicable laws and regulations and the bye-laws of the Company;

2. The liquidity, cash flow and general financial position of the Group;

3. The current and future commitments, business strategy, capital needs forecast and capital structure target of the Group for the current and future development plans;

4. Any banking or other funding covenants by which the Group is bound from time to time; and

5. Any other factors the Board may deem appropriate and/or relevant.

The Dividend Policy will be reviewed periodically to keep it up to date and in compliance with applicable laws, rules and regulations.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communications with Shareholders and the investment community, and the value of providing current and relevant information in a timely and appropriate manner. The Board has formulated the Shareholder Communication Policy, aiming to ensure Shareholders and investment community are provided with ready, equal and timely access to current and relevant information of the Company, in order to enable the Shareholders to have a better understanding on the financial and business operation of the Company, as well as to exercise their rights in a timely and informed manner. In addition, the Board has adopted the Inside Information Policy which sets out a guideline for identifying, assessing and broadly disseminating inside information of the Group to the public in a timely and equal manner in accordance with the Listing Rules, laws and regulations applicable to the Company. In compliance with Code Provision E.1.5 of the Corporate Governance, the Board adopted the Dividend Policy which aims to maximize interests of Shareholders and at the same time, maintains a strong balance sheet for investment opportunities and sustainable development of the Group in the future. The Board will review these policies regularly to ensure their effectiveness.

The Board endeavors to maintain an on-going dialogue with Shareholders, general meetings of the Company provide the best opportunity for communication between the Board and Shareholders. Shareholders are encouraged to participate in general meetings or, if they are unable to attend meetings, to appoint proxies to attend and vote at the meetings on their behalf. At the annual general meeting held on 12 June 2019, a separate resolution was proposed by the chairman in respect of each substantially separate issue. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations. The chairman of the Board, the chairman of the Audit Committee, Remuneration Committee and Nomination Committee, and representative from the external auditors attended the 2019 annual general meeting to answer questions of Shareholders. Poll voting has been used for passing all resolutions at annual general meetings since 29 April 2005. Details of the poll voting procedures are clearly explained at the commencement of the meetings. The poll results are posted on the websites of the Company and the Stock Exchange on the same day of the poll.

Corporate Governance Report

In addition, information may also be communicated to Shareholders and the investment community through the following methods:

1. periodic disclosure through financial reports of the Company, including but not limited to interim and annual reports, financial statements, results announcement etc;

2. disclosure of information through circulars, announcements, notice of meetings and any other special notices whenever and wherever necessary in accordance with the Listing Rules;

3. the Company's website at http://www.planetreeintl.com and the Stock Exchange's website at www.hkex.com.hk; and

4. Shareholders may put enquires to the Board by sending letters to the Company's Principal Place of Business.

INVESTOR RELATIONS

There were no significant changes in the Company's constitutional documents during the year.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions are provided under note 32 of the Notes to the Consolidated Financial Statements.

Report of the Audit Committee

AUDIT COMMITTEE

Members of the Audit Committee during the year and up to the date of this report were:

Mr. Ha Kee Choy, Eugene *(Chairman, appointed on 30 April 2019)*
Mr. Chan Sze Hung *(appointed on 30 April 2019)*
Mr. Kwong Kai Sing, Benny *(appointed on 30 April 2019)*
Mr. Luk Yu King, James *(resigned on 30 April 2019)*
Mr. Lee Ka Sze, Camelo *(resigned on 30 April 2019)*
Mr. Leung Yu Ming, Steven *(resigned on 30 April 2019)*
Mr. Ng Kwok Fu *(resigned on 30 April 2019)*

The composition of the Audit Committee comprises a majority of INEDs with diversified industry experience, such as accounting, legal, commercial or management sectors. The chairman has appropriate professional qualifications and experiences in accounting matters. The Audit Committee met regularly since its establishment and full minutes of the meeting of the Audit Committee were kept by the company secretary of the Company. Draft and final version of minutes of the Audit Committee meetings were sent to all members for comments and record within a reasonable time.

The Audit Committee is delegated by the Board to provide independent oversight of the Group's financial reporting process, relationship with external auditors, risk management and internal control systems of the Group. The Audit Committee held four meetings in 2019 and members' attendance records are disclosed in the section headed "Directors' Attendance and Time Commitment" of the Corporate Governance Report. The Audit Committee was effective in fulfilling its roles in 2019 and significant matters which were reviewed and discussed by the Audit Committee include the followings:

1. **Review of Financial Results**
   In the financial reporting process, the Audit Committee reviewed the respective work of management including the following:

   1.1 review and discuss with management the unaudited consolidated financial statements of the Group for the six months ended 30 June 2019 and recommend to the Board for approval;

   1.2 review and discuss with the management and external auditors the audited consolidated financial statements of the Group for the year ended 31 December 2019 and recommend to the Board for approval;

   1.3 review the 2019 interim report and 2019 annual report; and to consider any significant financial reporting judgments contained in them; and

   1.4 consider and discuss with management any significant or unusual items that may need to be reflected in the 2019 annual report and any matters that have been raised by the Company's staff responsible for accounting and financial reporting function, compliance officer or auditors (if any).

2. **Review of Risk Management & Internal Control Systems**
   The Audit Committee received from, and discussed with, management (i) Report on the effectiveness of the risk management of the Group; (ii) Report on the effectiveness of the internal control system of the Group; and (iii) Internal Audit report. The Audit committee has:

   2.1 reviewed on the effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance control, and risk management functions. The annual review had, in particular, considered the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Company's accounting and financial reporting function;

   2.2 considered major investigation findings on risk management and internal control matters and management's response to these findings (if any);

   2.3 reviewed the financial and accounting policies and practices of the Group; and

   2.4 reviewed if any employees has raised concerns about any possible improprieties in financial reporting, internal control or other matters.

Report of the Audit Committee

3. **Review the Independence of External Auditors**
The Audit Committee reviewed and considered the relationship of the external auditors in the following aspects:

3.1 to consider the terms of engagement of Mazars CPA Limited, the Company's external auditors;

3.2 to consider the independence and objectivity of external auditors by reference to the Letter of Independence issued by Mazars CPA Limited; and the effectiveness of the audit process in accordance with applicable standards;

3.3 to make recommendations to the Board on the re-appointment of the external auditors; and

3.4 to review the Policy on Engaging External Auditors to Supply Non-audit Services.

4. **Review of Internal Audit Function**
The Audit Committee reviewed the internal audit functions of the Group and the scope of work performed by the Internal Audit team during the year including the followings aspects:

4.1 to review the internal control manual at corporate level to determine the main features of risk management and internal control systems;

4.2 to review strategies, policies, procedures and guidelines authorised by the Board from which operational activities and related internal controls are identified;

4.3 to meet with appropriate process owners/managers to identify business objectives, related risks and key controls for each process;

4.4 to review relevant plan, budget and management reports for each process to understand how management monitors the effectiveness of internal controls;

4.5 to review financial, operational and administrative information, documents and records for each process to ascertain that the related transactions are properly reflected in the accounting books and records and related assets are safeguarded;

4.6 to walk through selected procedures and inspect related documents with responsible personnel; and

4.7 to review the co-ordination between the internal and external auditors, adequacy of resources, standing and effectiveness of the internal audit function.

Report of the Risk Management & Internal Control Systems

The Board is pleased to present the Report of the Risk Management & Internal Control Systems of the Group. The Board acknowledges the responsibility of establishing, maintaining and operating sound and effective risk management and internal control systems on an ongoing basis and to safeguard shareholders' investment and the Company's assets. The Audit Committee is delegated by the Board, with the assistance of the internal audit team, to oversee the Group's risk management framework and internal control systems and review their effectiveness periodically. The management is responsible for designing, implementing and monitoring of the Group's risk management framework and internal control systems, identifying and evaluating the Group's key existing and potential risks, and determining their respective control measures and/or mitigation strategies, so as to ensure the effectiveness of the risk management & internal control systems.

INTERNAL CONTROL SYSTEM

The Group's internal control system comprises a well-established organisational structure, comprehensive budgeting, reporting, policies and procedures, aiming to identify and manage, rather than eliminate risks that could adversely hinder the achievement of business objectives of the Company, provide reasonable, albeit not absolute, assurance against failure in operational system, material error, loss or fraud to the Company.

RISK MANAGEMENT

The Board considers that risk management and internal controls are closely related and typically embedded in the daily business operations of the Company. By reference to COSO's Enterprise Risk Management, the Board adopts the dual Top-down-Bottom-up Approach in designing risk management framework which is a process effected by the Board, the Audit Committee, internal audit team, management and all business units of the Company in applying strategy setting of the Company to identify potential risk that may affect the business performance of the Company, evaluate and manage the risk within the risk appetite of the Group, and to provide reasonable assurance regarding the achievement of the Company's objectives. Instead of a separate or standalone process, risk management is integrated into business processes of the Group, including strategic development, business planning, capital allocation, investment decisions, internal control and day-to-day operation of the Company.

INTERNAL AUDIT FUNCTIONS

At a meeting of the Board held on 3 December 2015, the Board approved the establishment of an internal audit functions to assist the Audit Committee to review and evaluate the adequacy and effectiveness of the risk management and internal control systems of the Group and to manage the risks inherent in the achievement of business objective of the Company. Further details of the audit works together with the assessment of the risk management and internal control systems were contained in the section headed "Review of Internal Audit Function" on the Report of the Audit Committee.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board adopted the Inside Information Policy in line with the "Inside Information" disclosure regime under the Securities and Future Ordinance which sets out the framework and guidelines to Directors, officers and all employees of the Group in dealing with, control and release of inside information of the Group, and to ensure that inside information can be promptly identified, assessed and broadly disseminated to the public in equal and timely manner in accordance with the Listing Rules, applicable laws and regulations.

Report of the Risk Management & Internal Control Systems

RISK MANAGEMENT FRAMEWORK

The following diagram highlights the risk management framework of the Group and their respective responsibilities:

Top-down Approach:

- Overseeing
- Definition of Risk
- Risk Identification
- Risk Evaluation
- Risk Monitoring, control measures and mitigation at corporate level

The Board
- Overall responsibility for maintaining sound and effective risk management and internal control systems;
- Oversee risk management framework and provide direction & strategic objectives;
- Determine risk profile & tolerance level of risk appetite; and
- Review the effectiveness of the risk management and internal control systems

The Audit Committee
- Assist the Board in overseeing the Group's risk management framework;
- Review the effectiveness of the risk management and internal control systems; and
- Review risk management report and breach of risk appetite (if any)

Management
- Design, implement & monitor of the Group's risk management framework;
- Formulate risk management strategy; and
- Assess emerging risk related to the Group's business & design respective control measures and mitigation strategies

Internal Audit
- Assist the Audit Committee in reviewing the effectiveness of the risk management & internal control systems

Business Units
- Risk identification, evaluation & mitigation performed across business units; and
- Risk management process & internal control practice across business operations and functional areas

- Risk Identification
- Risk Evaluation
- Risk Monitoring, control measures and mitigation at departmental level

Bottom-up Approach:

Report of the Risk Management & Internal Control Systems

The Board considers that the risk management framework of the Group shall encompass the following key processes:

1. **Definition of Risk**
The Company considered COSO'S Enterprise Risk Management Framework and defined risk as the possibility that the occurrence of an event may adversely affect the achievement of business objectives of the Company. Events can either have a negative or positive impact. An event with a positive impact represents an opportunity, whilst an event with a negative impact on the Company's business objective is identified as a risk, which may prevent value creation or erode the existing value of the Company. Risks include risk of loss resulting from failure of internal processes of the Company, or changes in economy or external environments such as changes in the investment market, in systems, in process, in competitor products etc.

2. **Risk Identification**
The Board understands that risk is an integral part of business, improvement in Company's performance and greater returns for investors are direct results of measured and successful risk-taking. The challenge is therefore identification of risks, selection of tolerable risk appetite based on business needs of the Company, and proper monitoring and management of risks so that risks can be reduced, transferred, avoided or understood. The risk objective of the Company is therefore managing risk instead of eliminating so as to provide reasonable, albeit not absolute assurance against material misstatement or loss of the Company.

   The process of risk identification will consider both internal and external factors which may adversely affect the achievement of the Company's objectives. The tools used in identifying risk are "Data Collection" and "Risk Control Self-Assessment" ("**RCSA**"), a process in which potential material risks are identified and recorded with their related controls. In applying RCSA, the Group used survey and expert judgment to obtain a thorough understanding of different risk categories arising from different possible sources of uncertainties in both external and internal environment associated with each of business units of the Group. Through discussions with management, opinions on the business and operational risks are then collected. Most of the potential risk factors will then be undergone an assessment and evaluation process in order to determine the key and critical factors to the Group. All the identifiable potential risks will then be identified and evaluated by: (i) relevance to the Group's businesses; (ii) likelihood of occurrence; and (iii) possible level of impact to the Group.

3. **Risk Evaluation**
Risk evaluation is the analysis of the existing and emerging risks to form the basis for the Company to determine appropriate actions or mitigation measures to manage risks. The principal activities of the Group include treasury management, property investment, property leasing and money lending business, which may all be influenced by various external and internal risk factors. The identifiable risks will then be evaluated by: (i) COSO evaluation check; and (ii) risk weighting.

   The Group uses "risk weighting" to represent the top five risks that may significantly affect the Group's businesses and take measures to determine appropriate actions to manage risk. The setting of "risk weighting" aligns with the tolerance level of risk appetite that the Group is willing to undertake in pursuit of its strategic and business objectives. The Group is willing to take reasonable risk only if it (i) fits the Group's business objectives and strategy; (ii) can be understood and managed; (iii) will not expose the Group to material financial loss or affect its ongoing financial viability; and (iv) will not breach of Listing Rules, laws and regulations applicable to the Group.

Report of the Risk Management & Internal Control Systems

TOP FIVE IDENTIFIABLE RISKS

The Group has categorised the following top five risks that the Group are currently facing and exposing:

Risk Factors	Risk Categories	Weighing	Arise From	Risk Control and Mitigation
FINANCIAL • Market Risk	• Equity & Debt price risk	Top 1	Treasury Management Business	- Control exposure amount
	• Interest rate risk • Currency exchange risk • Commodity price risk			- Hold debt investments until maturity - Maintain a well-diversified portfolio of securities
	• Property price and rental price risk		Property Leasing Business	- Maintain a well-diversified portfolio of investment properties including a mix of commercial, industrial and residential properties
• Credit Risk	• Default of loan and interest payment or credit loss • Loan concentration • Impairment of collateral	Top 2	Financial Services Business — Money Lending & Debt investment	- Periodic credit review - Control credit exposure to avoid concentration risk of borrowers and debt issuers
	• Overdue & credit loss of rental payment		Property Leasing Business	- Maintain high quality diversified tenant base
COMPLIANCE • Regulatory Compliance Risk	• Bribery, corruption or money laundering • Criminal acts e.g. fraud	Top 3	Maintaining of bank account, purchasing of office supplies.	- Maintain full set of legal documents
	• Non-compliance with applicable laws, regulations or contractual obligation		Company Secretarial & Accounts Department	- Regular review on contracts - Seek internal or external legal advice - Regular Compliance review on Listing Rules, Ordinances and Accounting Standards updates
OPERATIONAL • Human Resources	• Potential negligence or willful misconduct • Conflict of interests • Low morale & Staff turnover • Fraud or forgery • Insider dealing of securities	Top 4	HR & all business activities	- Provide good working environment and attractive salaries - Promote employee ethics through Employee Handbook and Code of Conduct - Procedures for employees to raise concern on any irregularities, misstatement and frauds - Segregation of duties, authorities and powers
• Cyber Security	• Data entry errors • Client or Vendor disputes • Misuse information of the Company • Hardware or Software Failures	Top 5	Admin & IT	- Regular check and review - Review existing practices or processes regularly - Review on the effectiveness of risk management and internal control systems

REPORT OF THE RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS

4. **Risk Monitoring, Control Measures & Mitigation**
The Company has the following risk monitoring, control measures and mitigation policies to monitor the Group's risk management and internal control systems:

4.1 The Company has documented the control processes in the Risk Management & Internal Control Manual ("**Manual**") which sets out all policies, procedures and guidelines for departments and employees to follow. In addition, the Company also adopted the "Procedure for Employees Raising Concerns about Possible Improprieties in Financial Reporting, Internal Control or other Matters" (the "**Procedures**") on 28 March 2012 so as to allow employees to raise concerns of impropriety to management or Audit Committee. The Company will review the Manual and the Procedures annually and periodically to modify policies and procedures if necessary so as to comply with the amendment of Listing Rules and/or other rules and regulations applicable to the Company;

4.2 The Company has established an effective and efficient reporting mechanism to anticipate, identify and report risk and material exposures to losses, and/or react to significant changes that may have a dramatic and pervasive effect on the Company or that may affect achievement of Company's objectives;

4.3 The Company has guidance in place to ensure that control self-assessment questionnaires are completed with the assistance of all department and unit heads and confirm to management that appropriate internal control policies and procedures have been properly complied with;

4.4 The Board understands that employees' behavior can be a major source of operational risk due to poorly trained or overworked employees. The Group has persistently promoted high standard of ethics and integrity with the aid of Employee Handbook and Code of Conduct. In addition, the Group has maintained a pleasant working environment, adequate workplace safety and satisfactory employment condition with a view to ensuring high standard of ethics and integrity;

4.5 The Board understands that unexpected changes or unforeseen interruption to the business operations can be a major source of operational risk. The Group has in place business continuity plans to ensure business operation of the Group on an ongoing basis, and limit losses in the event of severe business disruption if happened;

4.6 The Board is committed to maintaining a high standard of corporate governance practices which includes, among others, segregation of duties and responsibilities both in management and departmental level to ensure check and balance, avoidance of conflict of interest, accountability and reporting. All levels of staffs should understand their responsibilities with respect to operational risk management; and

4.7 At a meeting of the Board held on 3 December 2015, the Board approved the establishment of an internal audit function to assist the Audit Committee to review and evaluate the adequacy and effectiveness of risk management and internal control systems of the Group and to manage risks inherent in the achievement of business objective of the Company.

ANNUAL REVIEW

An annual review on the effectiveness of the Group's risk management and internal control systems covering all material controls, including financial, operational and compliance controls has been conducted by the Board and reviewed by the Audit Committee.

1. **Area of Review**
The review has, in particular, considered the following areas:

1.1 the effectiveness of the Group's risk management and internal control systems;

1.2 the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;

1.3 the scope and quality of management's ongoing monitoring of risk management and internal control systems of the Group, and the work of the internal audit function;

1.4 any changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business, economy and external and environment;

1.5 the Company's ability in responding to incidence of significant control failing;

REPORT OF THE RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS

1.6 the extent and frequency of communication of monitoring results to the Board or Board Committees which enables it to assess control of the Company and the effectiveness of risk management and internal control systems;

1.7 significant control failing or weaknesses that have been identified during the Period (if any) and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and

1.8 the effectiveness of the Company's processes for financial reporting and Listing Rules compliance.

2. Governing Principles of Review

2.1 The Board understands that risk is an integral part of business, improvements in Company performance and greater returns for investors are direct results of measured and successful risk-taking. As such, the Board acknowledges the responsibility to maintain a good and proper risk management and internal control systems and reviews its effectiveness periodically;

2.2 The implementation of the risk management and internal control systems of the Group are designed to identify and manage risks that may adversely hinder the achievement of the objectives of the Company, provide reasonable, albeit not absolute assurance against failure in operational system, material error, or loss of fraud to the Company. The risk profile and tolerance level of risk appetite will be determined based on the businesses needs and organisational structure of the Group; and

2.3 The Company's objectives, its organisational structure and environment in which it operates are continuously evolving and as a result, the risk appetite is continually changing. As such, the Company undertakes a continuously thorough and ongoing evaluation of risk management framework whenever a material change in the risk profiles of the Group occurs.

3. Summary of Review

The process of annual review on the effectiveness of the risk management and internal control systems of the Group included reviews on the Company level as well as on departmental level. Review on Company level was conducted by reference to the Corporate Governance Code and Guidance on Internal Control and Risk Management – A Basic Framework published by Hong Kong Institute of Certified Public Accountants. Evaluations on i) Control Environment; ii) Financial and Operational Control; and iii) Compliance Control were made. The Review has, in particular, considered the adequacy of resources, staff qualifications & experience, training programmes and budgets of the Company's accounting & financial reporting function. In addition, departmental reviews on procedural compliance and proper documentation filing were conducted by testing against the Internal Control Manual and Corporate Governance Code.

The Board is of the view that, the risk management and internal control systems of the Group for the year under review is sound and effective, and sufficient to safeguard the interests of shareholders and assets of the Company. The Board also considers that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting staff, internal audit and financial reporting functions are adequate. There was no indication of significant control failing or material weaknesses that may affect the financial, operational, compliance controls and risk management function of the Group, nor any suspected frauds, misstatement or infringement of applicable laws, rules and regulations were identified during the Review. The Group did not receive any concerns about possible improprieties from employees during the period under review. Throughout the period under review, the risk management and internal control systems of the Group have been operated effectively.

Save and except as disclosed herein and since the last annual review, no significant changes were found in the nature and extent of significant risks, nor the Company's ability to respond to changes in the business and external environment.

Environmental, Social and Governance Report

The Board is pleased to present the Environmental, Social and Governance Report (the "**ESG Report**") which is made in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Listing Rules. The information disclosed in the ESG Report is derived from the internal statistics, results and analyses of the Group's internal management systems.

SUSTAINABILITY APPROACH AND STRATEGY

The Board is committed to the long-term sustainable development of environmental, social and governance ("**ESG**") practice and its reporting. The Board recognises the importance of ESG factors and aims to manage ESG issues and their associated risks, and adhere to a high standard business practices in maintaining environmental and social sustainability. In addition, the Board is committed to engaging ESG considerations as an integral part of business operations of the Group and strives to continually improve our environmental performance in line with Corporate Governance Code, environmental protection laws, applicable rules and regulations. The Company will further enhance ESG management by actively participating in community engagement and ensuring our business development will take into consideration the communities' interests.

THE ESG POLICY

In furtherance of this commitment, the Board adopted the ESG Policy of the Company (the "**ESG Policy**") on 6 June 2016 aiming to set out guidelines and framework for the Company to handle ESG issues associated with the business operation and investment of the Group. The ESG Policy applies to all Directors, management and employees throughout the Group and all employees have a duty to uphold the standards established in the ESG Policy, which enable the Company to achieve a high standard of business ethics, governance and integrity.

SCOPE OF REPORT AND PERIOD

The ESG Report covers the core businesses of the Group in Hong Kong (the "**Core Businesses**") including: (i) Treasury Management Business; (ii) Property Leasing Business; and (iii) Financial Services Business. In view of the business nature of the Group, we are not aware of any environmental laws and regulations that would have a significant impact on the Group. The ESG Report disclosed information on the Company's ESG Policy and performance, management approach, strategy, priorities and objectives during the period of 1 January 2019 to 31 December 2019.

STAKEHOLDER ENGAGEMENT

The Group's main stakeholder engagement in ESG promotion includes employees, shareholders, local communities, investors and regulators. The Company shall ensure the communication of the ESG Policy, management strategy and approach of the Company in environmental protection to our stakeholders through different channels including annual general meeting, the Company's website and regular seminars to employees, etc.

GOVERNANCE STRUCTURE

The Board is responsible for formulating ESG strategy and reporting, evaluating and determining the Company's ESG related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Management is responsible for assisting the Board in discharging the above duties and responsibilities, implementing the ESG Policy, and providing confirmation to the Board on the effectiveness of ESG risk management and internal control systems. Management will, where appropriate, delegate ESG responsibilities to officers and managers at departmental levels, or instruct external professionals in the identification and management of its risks and opportunities.

Environmental, Social and Governance Report

REPORT ON ENVIRONMENTAL ASPECTS

A.1 Emissions

The Company complied with the ESG Policy, Corporate Governance Code, environmental protection laws and all the applicable laws and regulations that have a significant impact on the Company relating to air and greenhouse gas emission, discharges into water and land, and/or generation of hazardous and non-hazardous waste. The operation of the Core Businesses do not have significant impact on the environment and the Group has taken the following steps to closely monitor and manage the environmental effect of the operations of the business:

1.1 The Company did not generate significant greenhouse gas emissions as the emissions are indirectly and principally resulting from consuming electricity and gases at the workplace, vehicles and business travels by employees;

1.2 Environmental or green procurement-related materials have been distributed to employees to enhance their awareness on ESG issues. Actively encourage employees to cherish our environment and embrace green products, foster low carbon office and green working environment, whenever practicable;

1.3 The indoor temperature and running time of air-conditioning system are controlled to reduce energy consumption and carbon emissions;

1.4 Employees were encouraged to enhance energy efficiencies and water conservation, and take reduction initiatives to manage non-hazardous waste generation in our business operation; and

1.5 The Company did not generate hazardous waste during its business operation for the Core Businesses, discharge of water and non-hazardous waste were divided into recyclable or non-recyclable waste and handled in an environmentally responsible manner in line with the applicable environmental protection laws and regulations whenever practicable.

A.2 Use of Resources

Due to the Group's business nature, the energy, power and water utilisation is relatively low and only restricted to workplace. The Group is committed to conserve natural resources and the Company has adopted green office practices to reduce natural resources consumption which included the followings:

2.1 The Group strive to minimize environmental impact by encouraging employees to conserve resources by reducing energy consumption and water usage, and exploring energy use efficiency initiatives or alternatives, whenever practicable;

2.2 The Group encourages employees to handle documents electronically. When the use of paper is required, employees are encouraged to print documents in double-sided papers and black-and-white to conserve printer ink;

2.3 Recycle bins are placed in the office to encourage employees to use recycle office supplies whenever practicable;

2.4 Teleconference or internet-meeting is encouraged to avoid unnecessary business travel;

2.5 The Group used wood-free FSC certified paper in printing of its interim and annual reports since 2016; and

2.6 Office equipment particularly electrical appliances were set in standby mode whenever practicable and shut down after office hours.

Environmental, Social and Governance Report

A.3 The Environment and Natural Resources

The Company shall ensure compliance with all applicable environmental related legislations and regulations. Notwithstanding the Core Businesses have remote impact on the environment and natural resources, the Board is committed to give careful consideration to identify whether the Company's performances in respect of emissions, waste production and disposal, and use of resources have negative impacts on the environment and take initiative measures and actions to manage and minimize these impacts whenever practicable in order to achieve a long-term sustainable development of ESG practice.

REPORT ON SOCIAL ASPECT

B.1 Employment and Labour Practices

Employees are regarded as the greatest value of the Company. The Company adheres to fair and open recruitment of staff, and provides protection of rights and interests for employees. The Company's Remuneration Policy is to ensure fair and competitive packages based on business needs and industry practice. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, inflation, employment conditions elsewhere in the Group and salaries paid by comparable companies. In addition, performance-based assessment such as individual's potential and contribution to the Company, time commitment and responsibilities undertaken will all be considered. The Group also provides other staff benefits including MPF, medical insurance and discretionary training subsidy. The Company also operates a discretionary share option scheme to motivate the performance of employees.

The Company complied with the Employment Ordinance (Cap 57 of the Laws of Hong Kong) and all the relevant laws and regulations that have a significant impact on the Company relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare for the year ended 31 December 2019.

B.2 Health and Safety

The Company is committed to enhance occupational safety and ensure that health and safety standards are given prime consideration in the operation of our business. Initiative safety measures have been/will be taken to maintaining a safe working environment sufficiently enough to protect employees from occupational hazards.

The Group provides a safe, healthy and hygienic working environment to staff with labour protection, reasonable remuneration and various welfares. The Company provides medical insurance covering out-patient, hospitality and annual body checkup for employees. The Company encourages employees to maintain a work-life balance and numerous sports and recreation activities have been/will be conducted through Staff Club which includes health & nutrition talks, yoga class and outing activities.

The Company complied with all the relevant laws and regulations that have a significant impact on the Company relating to providing a safe working environment and protecting employees from occupational hazards during the year ended 31 December 2019.

B.3 Development and Training

The Company acknowledges the importance of continuous training of employees and has in place a comprehensive training scheme and program to enhance professional ethics and product knowledge of employees. The Company has periodically arranged seminars, briefings or trainings on regulatory updates or industry practices related to the business needs of the Company and encouraged Directors and employees to attend at the Company's expenses. In addition, the Company has/will provide(d) training subsidy to employees attending job-related training courses.

B.4 Labour Standards

The Company is committed to preventing and effectively eliminating all forms of child and forced labour. The Company has complied with all the relevant laws and regulations that have a significant impact on the Company relating to preventing child and forced labour.

Environmental, Social and Governance Report

B.5 Supply Chain Management

The Group's business operation may not directly cause significant negative environmental and social impacts to our suppliers. However, the Company shall ensure the communication of the ESG Policy and management's strategy and approach in environmental protection to our stakeholders including suppliers and employees for the purpose of managing potential environmental and social risks of the supply chain.

B.6 Product Responsibility

The Company shall ensure compliance with relevant laws and regulations that have a significant impact on the Company relating to health and safety, advertising, labeling and privacy matters relating to services provided and methods of redress. The Company aims to incorporate ESG consideration in our business operation and investment decisions.

B.7 Anti-corruption

The Company's anti-bribery and anti-corruption practices are governed by the Code of Conduct of the Company which provides clear guidelines for employees to work in an ethical and socially responsible manner. The Company has adopted the "Policy for Employees Raising Concerns about Possible Improprieties in Financial Reporting, Internal Control or Other Matters" which allows employees to voice out their concerns in confidence without fear of victimization, subsequent discrimination or disadvantage. The Company complied with relevant laws and regulations that have a significant impact on the Company relating to bribery, extortion, fraud and money laundering, among other things, Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong).

B.8 Community Engagement

The Company is committed to delivering positive community engagement, particularly understanding the needs of the communities where the Company operates its business, and ensuring our business activities and investments shall take into consideration the communities' interests. The Company's community involvement includes the direct or indirect participating and/or contributing to dedicated projects through donations. The Board also recognises ESG practice as a continuous process of improvement and actively carries out environmental friendly practices whenever appropriate and possible.

Environmental, Social and Governance Report

ENVIRONMENTAL KPIS

Average no. of effective work forces for the period of 1 January 2019 to 31 December 2019 (U) = 16

KPIs		Data Collection			Emission Factor	Equivalent Emissions	% of total GHG Emission in each scope
A1.1	Emission from vehicles	For NOx Formula: NOx emissions (g) (kilometres travelled x Emission Factor)	Kilometres travelled	0 km	0.0747	0 g	
		For SOx Formula: SOx emissions (g) (units of fuel consumed x Emission Factor)	Fuel consumed	0 L	0.0147	0 g	
		For PM Formula: PM emissions (g) (kilometres travelled x Emission Factor)	Kilometres travelled	0 km	0.0055	0 g	
A1.2	Greenhouse gas emissions in electricity	Scope 1 — HFC and PFC emissions for refrigeration (refrigerant HFC-134a)	Total amount of refrigerant consumed	0.00 kg	1430	0.00 tonne	0%
		Scope 2 — Electricity	Total amount of electricity consumed	23,658 kWh	0.79	18.69 tonne	97%
		Scope 3 — Paper waste	Total amount of paper consumed disposed at landfills	122.84 kg	4.8	0.59 tonne	3%
		Scope 3 — Electricity used for processing fresh water and sewage	For fresh water processing For sewage processing	$0.00\ m^3$ $0.00\ m^3$	0.403 0.202	0.00 tonne 0.00 tonne	
		Total CO_2 equivalent missions (E)					19.28 tonne
		Greenhouse gas emissions intensity (E/U)					1.20 tonne/ employee

KPIs		Data Collection			Emission Factor	GWP	Equivalent Emissions
A1.2	Greenhouse gas emissions from mobile combustion sources (road, air and water transport)	Scope 1 — Direct emissions for vehicles For CO_2 Formula: CO_2 equivalent emissions (E) = A x Emission Factor	Fuel consumed A — amount of consumed (in terms of volume (eg litre) or mass)	0.00 L	2.36		0.00 kg
		Scope 1 — Direct emissions for vehicles Fuel consumed For CH_4/N_2O Formula: CO_2 equivalent emissions (E) = A x Emission Factor x GWP	GWP — global warming potential				
		CH_4	(CH_4 = 21)	0.00 L	0.000253	21	0.00 kg
		N_2O	(N_2O = 310)	0.00 L	0.001105	310	0.00 kg
A1.3	Hazardous waste produced		Not applicable				

Environmental, Social and Governance Report

KPIs		Data Collection			Intensity	
A1.4	Non-hazardous waste produced	Total non-hazardous waste produced (NHW)	By Landfill By Recycled By incineration Total non-hazardous waste produced	0.12 tonne 0.00 tonne 0.00 tonne 0.12 tonne	Non-hazardous waste intensity (NHW/U)	0.01 tonne/ employee
A1.5	Measures to mitigate emissions and results achieved	Please refer to A.1 Emissions				
A1.6	How hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Please refer to A.1 Emissions				
A2.1	Direct & indirect energy consumption	Total amount of electricity consumed (EG)		23,658 kWh	Energy consumption intensity (EG/U)	1,479 kWh/ employee
A2.2	Water consumption *(note 1)*	Total amount of water consumed (W)		0.00 m3	Water consumption intensity (W/U)	0.00 m^3/ employee
A2.3	Description of energy use efficiency initiatives and results achieved	Please refer to A.2 Use of Resources				
A2.4	Sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Not applicable				
A2.5	Total packaging material used for finished products	Not applicable				
A3.1	Description of significant impacts of activities on the environment and natural resources and actions taken to manage them	The operation of the Core Businesses does not have significant impact on the environment				

Note 1: The Group operates in leased office premises for which both the water supply and discharge are solely controlled by the building management.

REPORT OF THE DIRECTORS

The Board is pleased to present the report of Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Planetree International Development Limited is incorporated in Bermuda and its head office and principal place of business in Hong Kong is 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 37 of the Notes to the Consolidated Financial Statements.

There were no significant changes in the nature of the Group's principal activities during the year, except for focusing on development of Financial Services Business during the year.

RESULTS AND STATE OF AFFAIRS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 51 to 118.

BUSINESS REVIEW

A fair review of business and a discussion and analysis on the performance of the Group during the year is set out in the section headed "Business Review" of the Management Discussion and Analysis of the annual report. Discussion and analysis on particulars of important events affecting the Company that have occurred since the end of the financial year of 2019, and an indication of likely future development in the Company's business are set out in the sections headed "Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investment or Capital Assets" and "Significant Events since the End of the Reporting Period" of the annual report. In addition, an analysis using financial key performance indicators is set out in the section headed "Financial Review" of the Management Discussion and Analysis of the annual report.

Environmental, Social and Governance ("ESG") Performance

The Company is committed to achieving sustainable development and protection of the environment and engaging ESG considerations as an integral part of our business operations and investment. The Company's strategy in ESG management can be achieved by adopting eco-friendly management practices, making efficient use of resources, and promoting green awareness within the Company. The Company strives to promote awareness on environmental protection and optimizes efficient use of energy in daily operation by encouraging employees to recycle office supplies, plus a series of measures to develop practices to promote energy-saving and emission reduction. The Company will further enhance ESG management by participating in community engagement and ensuring our business development will take into consideration the communities' interest. The Company has complied with all the applicable environmental laws and regulations that have a significant impact on the Company. Details of ESG practice of the Company are set out in the ESG Report of this annual report which is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

Compliance with Regulations

The Company complies with the relevant laws and regulations that have a significant impact on the Company including Companies Act 1981 of Bermuda, the Companies Ordinance (to the extent applicable to the Group), as well as the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance practice.

Relationship with Employee, Customers, Suppliers and Others

The Company actively manages its relationships with employees, customers, investors, regulators, members of the communities in which we operate, and other stakeholders whose actions can affect the Company's performance and value.

Report of the Directors

DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil). No interim dividend in the form of cash was declared for the financial year of 2019 and 2018. An interim dividend by way of Distribution in Specie of The Cross-Harbour (Holdings) Limited and Distribution in Specie of Y. T. Realty Group Limited in an aggregate fair value of HK$1,460.1 million were declared for the financial year of 2018.

RESERVES

Particulars of movement in the reserves of the Company and the Group during the year are set out in note 38(b) of the Notes to the Consolidated Financial Statements and the Consolidated Statement of Changes in Equity respectively.

DISTRIBUTABLE RESERVES

The Company's deficit of reserves available for distribution to shareholders as at 31 December 2019, calculated in accordance with Companies Act 1981 of Bermuda, amounted to HK$1,421,000 (2018: reserves for HK$10,311,000), none of which (2018: none) was proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$907,280,000 (2018: HK$907,280,000), may be distributed in the form of fully paid bonus shares.

BANK BORROWING

There was bank borrowing of the Group for HK$186,875,000 as at 31 December 2019 (2018: Nil). The movement of bank borrowing of the Group for the year ended 31 December 2019 is set out in note 24 of the Notes to the Consolidated Financial Statements.

SEGMENT INFORMATION

An analysis of the segment performance of the Group for the year ended 31 December 2019 is set out in note 6 of the Notes to the Consolidated Financial Statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements, is set out on page 120. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT

Particulars of the property and equipment of the Group and any movement thereof during the year are set out in note 14 of the Notes to the Consolidated Financial Statements.

INVESTMENT PROPERTIES

The Group's investment properties as at 31 December 2019 were revalued by an independent professional valuer. The drop in fair value arising on the revaluation, which has been debited directly to the Consolidated Statement of Profit or Loss, amounted to HK$6,300,000. Details of the investment properties of the Group and any movement thereof during the year are set out in note 15 of the Notes to the Consolidated Financial Statements, and Particulars of Properties on page 119 which does not form part of the audited financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 37 of the Notes to the Consolidated Financial Statements.

SHARE CAPITAL

Particulars of the Company's share capital and any movement thereof during the year are set out in note 26 of the Notes to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in Companies Act 1981 of Bermuda or the Bye-Laws.

Report of the Directors

EQUITY-LINKED AGREEMENTS
Other than the Share Option Scheme as disclosed below, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DONATIONS
No charitable donation was made by the Group during the year (2018: Nil).

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

Executive Directors
Mr. Lam Hiu Lo
Mr. Liang Kang
Ms. Cheung Ka Yee *(appointed on 30 April 2019)*
Ms. Tsang Wing Man *(appointed on 30 April 2019)*
Mr. Wong Hung Wai *(appointed on 6 March 2020)*
Mr. Cheung Chung Kiu *(resigned on 30 April 2019)*
Mr. Yuen Wing Shing *(resigned on 30 April 2019)*
Mr. Zhang Qing Xin *(resigned on 30 April 2019)*

Non-Executive Director
Mr. Lee Ka Sze, Carmelo *(resigned on 30 April 2019)*

Independent Non-Executive Directors
Mr. Chan Sze Hung *(appointed on 30 April 2019)*
Mr. Ha Kee Choy, Eugene *(appointed on 30 April 2019)*
Mr. Kwong Kai Sing, Benny *(appointed on 30 April 2019)*
Mr. Luk Yu King, James *(resigned on 30 April 2019)*
Mr. Leung Yu Ming, Steven *(resigned on 30 April 2019)*
Mr. Ng Kwok Fu *(resigned on 30 April 2019)*

Information about the Board, including appointment and re-election of Directors, is set out in the Corporate Governance Report. The biographical details of Directors and senior management is set out in the section headed "Profiles of Directors and Senior Management" of the annual report.

CONFIRMATION OF INDEPENDENCE
The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

CHANGE IN INFORMATION OF DIRECTORS
The biography of Mr. Wong Hung Wai has been described in more details in the section headed "Profiles of Directors and Senior Management" of the annual report when compared to his biography previously disclosed in the Company's announcement dated 6 March 2020.

Save as disclosed herein, upon specific enquiry by the Company and following confirmations from Directors, there is no change in information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES
Particulars of Directors' emoluments and the five highest paid employees of the Group are set out in note 11 of the Notes to the Consolidated Financial Statements respectively.

MANAGEMENT CONTRACTS
No contract concerning management and/or administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with the Company that is not determinable by the Company within one year without compensation (other than statutory compensation). No Director has a service contract with the Company that are exempted under Rule 13.69 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

There were no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisting during or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, during the year and up to the date of this annual report, none of Directors and their associates had any interest in business which competed or was likely to compete, directly or indirectly, with the principal business of the Group.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2019, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting principles. None of which were subject to the reporting requirements under Chapter 14A to the Listing Rules. Details of these transactions are disclosed in note 32 of the Notes to the Consolidated Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2019, revenue to the Group's five largest customers accounted for 44% of the total revenue (before deduction of net loss on disposal of financial assets at fair value through profit or loss) for the year whereas revenue to the largest customer included therein amounted to 17%. There was no purchase from suppliers by the Group during the year.

None of Directors, their associates or any shareholders who, to the knowledge of Directors, own more than 5% of the issued shares, had any interest in any of the five largest customers.

MANDATORY PROVIDENT FUND

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all of its employees. Particulars of the MPF Scheme are set out in note 2 of the Notes to the Consolidated Financial Statements.

CORPORATE GOVERNANCE

The Company's principal corporate governance practice is set out in the Corporate Governance Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this annual report as required under the Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PERMITTED INDEMNITY PROVISIONS

The Bye-Laws provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Such permitted indemnity provisions have been in force throughout the year under review and is currently in force at the time of approval of this report.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2019, none of Directors or chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was adopted on 21 May 2015, the terms of which are in line with and complies with the requirements of Chapter 17 of the Listing Rules.

The particulars in relation to the Share Option Scheme that are required to be disclosed under Rules 17.07 to 17.09 of the Listing Rules are set out below:

(1) Purpose

To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits, to the Participants (as hereinafter defined) and to serve such other purposes as the Board may approve from time to time.

(2) Participants

It includes any director (or any persons proposed to be appointed as such, whether executive or non-executive), officer or employee (whether full-time or part-time) of each member of the Eligible Group (as hereinafter defined); any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer or employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the Board;

The Eligible Group includes:

(i) the Company and each of its substantial shareholders; and

(ii) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the Company or of a substantial shareholder referred to in (i) above; and

(iii) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (ii) above; and

(iv) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iii) above; and

(v) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iv) above.

Report of the Directors

(3) The total number of securities available for issue under the Share Option Scheme together with the percentage of the issued share capital as at the date of the annual report	930,527,675 ordinary shares which represent 10% of the issued share capital of the Company as at the date of the annual report.
(4) The maximum entitlement of shares of each Participant	(a) Subject to sub-paragraphs (b), (c) and (d) below, the total number of shares issued and to be issued upon exercise of all options granted to each Participant under the Share Option Scheme and any other share option schemes of the Company (including those exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1 per cent of the total number of shares in issue.

(b) Notwithstanding sub-paragraph (a), where any further grant of options to a Participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including those exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the total number of shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his or her close associates, or his or her associates if the Participant is a connected person of the Company (all within the meaning as ascribed under the Listing Rules), abstaining from voting.

(c) Each grant of options to a Participant who is a director, chief executive or substantial shareholder of the Company (all within the meaning as ascribed under the Listing Rules) or any of their respective associates, must be approved by the INEDs (excluding any INED who is a proposed grantee).

(d) Where the Board proposes to grant any option to a Participant who is a substantial shareholder or an INEDs, or any of their respective associates which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to the Participant under the Share Option Scheme and any other share option schemes of the Company in the 12-month period up to and including the date of such grant:

(i) representing in aggregate more than 0.1 per cent of the total number of shares in issue; and

(ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000,

such proposed grant of options must be approved by the Shareholders in general meeting. The Participant, his or her associates, and all core connected persons (within the meaning as ascribed under the Listing Rules) of the Company shall abstain from voting in favour at such general meeting.

Report of the Directors

(5)	The period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by Directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the Share Option Scheme.
(6)	The minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by Directors.
(7)	Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted with a consideration of HK$1.00 being payable by the grantee.
(8)	The basis of determining the exercise price	The exercise price shall be a price solely determined by the Board and shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option which must be a Business Day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 consecutive Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. Without prejudice to the generality of the foregoing and subject to the Listing Rules, the Board may grant the options in respect of which the exercise price is fixed at different prices for different periods during the option period.
(9)	The remaining life of the Share Option Scheme	The Share Option Scheme remains in force until 20 May 2025.

Share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings. No shares options had been granted since adoption of the Share Option Scheme, nor were there any outstanding share options as at 31 December 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests" and "Share Option Scheme" above, at no time during the year under review, was the Company or any of its subsidiaries or its holding company, a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of Directors, or any of their associates, had any interests in or was granted any rights to subscribe for shares, or had exercised any such rights.

Report of the Directors

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the following persons had interests or short positions in the shares or underlying shares which were recorded in the register required to be kept by the Company pursuant to 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		Capacity and Nature of Interest	Number of Ordinary Shares Held	Percentage of Issued Share Capital
Future Capital Group Limited	Note	Beneficial Owner	6,282,636,400	67.52%
Ms. Lo Ki Yan Karen		Interest of controlled corporation	6,282,636,400	67.52%
		Beneficial Owner	52,718,000	0.56%
			6,335,354,400	68.08%

Note: Future Capital Group Limited is 100% beneficially owned by Ms. Lo Ki Yan Karen.

Save as disclosed above, as at 31 December 2019, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares that 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.

AUDITORS

The financial statements for the year ended 31 December 2019 have been audited by Mazars CPA Limited, Certified Public Accountants, who will retire at the forthcoming annual general meeting (the "**AGM**"), being eligible, offer themselves for reappointment at the AGM. A resolution for re-appointment of Mazars CPA Limited as auditors of the Company and to authorise Directors to fix their remuneration will be proposed at the AGM.

By order of the Board

Cheung Ka Yee
Executive Director

Hong Kong, 30 March 2020

Profiles of Directors and Senior Management

(as at 30 March 2020)

Lam Hiu Lo, aged 58, was appointed an executive director in 1993. He is mainly responsible for business development and investment of the Group. He is an independent non-executive director of EVA Precision Industrial Holdings Limited, a public company listed on the Stock Exchange.

Liang Kang, aged 77, was appointed an executive director in 1995. He is mainly responsible for the business development of the Group. Prior to joining the Company, he engaged in trading business in the PRC for over 16 years.

Cheung Ka Yee, aged 38, was appointed an executive director in April 2019. She is also a member of remuneration committee and a director of certain subsidiaries of the Company. She holds a Master's degree in Mathematics from the California State University in the United States of America. Ms. Cheung has around 10 years of experience in property investment and property leasing. She was previously a director of a private investment company principally engaged in securities investment in Hong Kong. Ms. Cheung was an executive director of Mason Group Holdings Limited (formerly known as Willie International Holdings Limited, stock code: 273), a company listed on the Stock Exchange, from July 2013 to April 2016.

Tsang Wing Man, aged 49, was appointed an executive director in April 2019. She is also a member of nomination committee and a director of certain subsidiaries of the Company. She holds a Bachelor's degree in Accounting from Edith Cowan University of Australia. Ms. Tsang has over 10 years' experience in construction industry. She previously worked as a project manager for property management companies for over 10 years.

Wong Hung Wai, aged 42, was appointed an executive director and managing executive officer – financial services in March 2020. He graduated from the Imperial College London, United Kingdom with a bachelor of science degree in the field of physics in 1999. Mr. Wong was accredited as a Financial Risk Manager by the Global Association of Risk Professionals in 2002 and a Chartered Financial Analyst by the CFA Institute in 2003. Mr. Wong has been a Certified Financial Planner conferred by the Certified Financial Planner Board of Standards since 2003. Mr. Wong was designated as a Fellow, Life Management Institute from Life Office Management Association since 2010. Mr. Wong possesses 20 years' experience in the finance industry and has wealth of knowledge in banking and insurance. Prior to joining the Company, Mr. Wong held management positions in several financial institutions, including HSBC Group, China Life Insurance (Overseas) Company Limited and QBE Asia Pacific Holdings Limited. Mr. Wong had worked in HSBC Group for over 10 years and his last position was the Director of Global Investment Banking Asia in Hong Kong (from June 2011 to March 2012). His former appointments in HSBC include Head of Regional Strategic Planning and Deployment, HSBC Insurance Asia Pacific in Hong Kong (from May 2009 to June 2011) and other senior positions in regional corporate banking (SME and Insurance) in Dubai, the United Arab of Emirates (from December 2005 to April 2007) as well as credit risk management in Dusseldorf, Germany (from December 2004 to December 2005).

Chan Sze Hung, aged 67, was appointed an independent non-executive director in April 2019. He is also a member of audit committee. He graduated from the University of Hong Kong with a degree in law. He is now a consultant of Chan, Lau and Wai, a firm of solicitors in Hong Kong. He has over 40 years' experience in the legal profession. During the period from June 2012 to June 2016, Mr. Chan was an independent non-executive director of China Touyun Tech Group Limited (stock code: 1332) of which the shares are listed on the Stock Exchange.

Ha Kee Choy, Eugene, aged 63, was appointed an independent non-executive director in April 2019. He is also the chairman of the audit committee and the remuneration committee, and a member of the nomination committee of the Company. He holds a Master's Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants. He has over 20 years of experience in the finance and banking industry and acts or/and acted as director of a number of private and listed companies in Hong Kong. Mr. Ha is the director of a certified public accountants corporate practice in Hong Kong. He is currently an independent non-executive director of Longhui International Holdings Limited (stock code: 1007), International Entertainment Corporation (stock code: 1009) and China Touyun Tech Group Limited (stock code: 1332). The shares of these companies are listed on the Stock Exchange.

Profiles of Directors and Senior Management

(as at 30 March 2020)

Kwong Kai Sing, Benny, aged 61, was appointed an independent non-executive director in April 2019. He is also the chairman of the nomination committee, and a member of audit committee and remuneration committee of the Company. He holds a Bachelor Degree in Arts from Simon Fraser University in British Columbia, Canada. He held senior positions with major international banks in Hong Kong in respective lending departments and China department for many years. For the past years, he has served as executive director of over 10 publicly listed companies in Hong Kong, Canada and the United Kingdom. Mr. Kwong has extensive knowledge in corporate finance and banking. Mr. Kwong was a director of the Tung Wah Group of Hospitals from 2008 to 2010 and was a member of the Campaign Committee of The Community Chest from 2006 to 2010. Mr. Kwong was an appointed member of the China People's Political Consultative Conference of the Hubei Province and Zhaoqing City of the Guangdong Province. He is the Hospital Governing Committee member of Tai Po Hospital since 2012 and the Audit Committee member of Tung Wah College since 2013. He was an executive director of GT Group Holdings Limited (stock code: 0263), a company listed on the Stock Exchange, from September 2017 to April 2018 and an independent non-executive director of Imagi International Holdings Limited (stock code: 0585), a company listed on the Stock Exchange, from January 2016 to May 2017. He is currently an executive director of Tai United Holdings Limited (stock code: 0718), a company listed on the Stock Exchange, since April 2018.

INDEPENDENT AUDITOR'S REPORT

MAZARS

MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
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Email 電郵: info@mazars.hk
Website 網址: www.mazars.hk

To the members of
Planetree International Development Limited *(formerly known as Yugang International Limited)*
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Planetree International Development Limited *(formerly known as Yugang International Limited)* (the "Company") and its subsidiaries (together the "Group") set out on pages 51 to 118, 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 financial position of the Group as at 31 December 2019, and of its financial performance and 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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 judgement, 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.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Key Audit Matters	**How our audit addressed the key audit matters**
Loss allowance for expected credit loss ("ECL") on loan and interest receivables from money lending business	
We identified the loss allowance for ECL on loan and interest receivables from money lending business as a key audit matter due to the application of significant judgement by the management in evaluating the recoverability and credit worthiness of the borrowers. Management assessed the impairment losses on loan and interest receivables based on probability-weighted estimate of credit losses over the expected life of these receivables and where there are any events or changes in circumstances indicate a detrimental impact on the estimated future cash flows of these balances. In particular, as detailed in note 34 to the consolidated financial statements, the Group has concentration of credit risk as the exposure of the largest client and the five largest clients represents 57% and 98% of the total loans to money lending clients as at 31 December 2019 respectively. As any impairment of such receivables will have a significant impact on the Group's financial position and financial performance, we consider impairment assessment of such receivables as a key audit matter. The carrying value of the loan and interest receivables from money lending business was approximately HK$87,122,000 as at 31 December 2019, in respect of which loss allowance for ECL of HK$7,795,000 has been made. Further details are set out in notes 4, 19 and 34 to the consolidated financial statements.	Our key audit procedures in relation to management's recoverability assessment of loan and interest receivables from money lending business included: • Understanding, through enquiry with the management, the established policies and procedures on credit risk management of receivables from money lending business; • Assessing and evaluating the design of controls with respect to the identification of receivables with overdue or default payments or insufficient collateral; and • Assessing management's judgement over the ECL and creditworthiness of the borrowers by assessing the available information, such as background information of the borrowers, recoverable amount of securities collateral, past collection history of borrowers, concentration risk of borrowers, the Group's actual loss experience and subsequent settlement of the loan and interest receivables.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key Audit Matters	How our audit addressed the key audit matters
Valuation of investment properties	
As at 31 December 2019, the Group's investment properties amounted to HK$457,700,000, which were measured at fair value. The fair values of the investment properties as at 31 December 2019 were determined based on valuations by an independent external valuer. Significant estimation is required to determine the fair values of the investment properties, which reflect market conditions at the end of the reporting period. Management engaged independent external valuer to perform valuations on these investment properties at the end of the reporting period and, in case of the absence of current prices in an active market for similar properties, the external valuer considered information from a variety of sources such as estimated rental value of the relevant properties and made assumptions about capitalisation rates. Related disclosures are included in note 15 to the consolidated financial statements.	Our key audit procedures in relation to the assessment of the valuations of investment properties included: • Obtaining and reviewing the valuation reports prepared by the independent external valuer engaged by the Group; • Assessing the independent external valuer's qualifications, experience and expertise and considering their objectivity and independence; and • Discussing with the valuer to understand the valuation process and methodologies, the performance of the property market, significant assumptions adopted, critical judgements used in the valuation of investment properties.
Business combinations	
In December 2019, the Group completed a major acquisition in Liberty Capital Limited ("Liberty") and its subsidiaries (the "Liberty Group") at a total consideration of HK$270,000,000. The accounting for business combinations required a significant amount of management's estimation and judgements, including the fair value measurements of the considerations and the identifiable assets acquired and liabilities assumed and adjustments made to align accounting policies. Management engaged an independent external valuer to assess the fair value of identifiable assets acquired and liabilities assumed arose at the date of acquisition.	Our key audit procedures in relation to the valuation included: • Evaluating management's assessment of the terms of the subscription agreement; • Understanding the valuation processes and methodology, significant assumptions adopted and key inputs used in the valuation of assets and liabilities; • Reviewing and assessing the reasonableness of key assumptions based on our knowledge and understanding of the business and market; • Assessing the appropriateness of the methodology used by management in determining the value of assets acquired and liabilities assumed including fair value adjustments as at date of acquisition; and • Evaluating the independent external valuer's competence, capabilities and objectivity.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2019 annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2020

The engagement director on the audit resulting in this independent auditor's report is:
Chan Wai Man
Practising Certificate Number: P02487

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**5,818**	65,958
Other income and gains	5	**50,891**	31,636
Net gain on disposal of debt investments at amortised cost	17(a)	**11,482**	—
Gain on bargain purchase of subsidiaries	30	**8,260**	—
Impairment losses on loan and interest receivables	34	**(1,883)**	(5,912)
Impairment losses on promissory note receivable	34	**(3,184)**	—
Depreciation of property and equipment and rights-of-use assets	14	**(1,954)**	(312)
Administrative expenses		**(33,994)**	(26,502)
Other expenses	7	**(6,300)**	(2,110)
Finance costs	8	**(1,099)**	(440)
Share of profit of an associate		**—**	28,048
Profit before taxation	9	**28,037**	90,366
Income tax (expense) credit	10	**(6,962)**	18,814
Profit for the year		**21,075**	109,180
Other comprehensive income (loss):			
Items that are reclassified or may be reclassified subsequently to profit or loss			
Share of other comprehensive loss of an associate		**—**	(20,957)
Release of other reserves upon distribution in specie of shares in an associate		**—**	230,861
Total other comprehensive income for the year		**—**	209,904
Total comprehensive income for the year		**21,075**	319,084
Profit for the year attributable to:			
Owners of the Company		**22,312**	109,180
Non-controlling interests		**(1,237)**	—
		21,075	109,180
Total comprehensive income attributable to:			
Owners of the Company		**22,312**	319,084
Non-controlling interests		**(1,237)**	—
		21,075	319,084
		HK cents	*HK cents*
Earnings per share	13		
Basic		**0.24**	1.17
Diluted		**0.24**	1.17

Consolidated Statement of Financial Position

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property and equipment	14	**181,210**	1,162
Investment properties	15	**457,700**	464,000
Intangible assets	16	**6,500**	—
Debt investments at amortised cost	17	**39,737**	66,769
Loan and other receivables	19	**174,764**	97,871
Other assets	18	**3,230**	360
		863,141	630,162
Current assets			
Trade, loan and other receivables	19	**395,042**	29,319
Financial assets at fair value through profit or loss ("FVPL")	20	**505,618**	818,481
Time deposits	21	**—**	151,028
Bank balances – trust and segregated accounts	21	**44,402**	—
Bank balances and cash	21	**232,254**	17,855
		1,177,316	1,016,683
Current liabilities			
Trade and other payables	22	**63,237**	11,094
Lease liabilities – current portion	23	**2,084**	—
Interest-bearing borrowings	24	**186,875**	—
Income tax payable		**59**	—
		252,255	11,094
Net current assets		**925,061**	1,005,589
Total assets less current liabilities		**1,788,202**	1,635,751
Non-current liabilities			
Other payables	22	**1,944**	2,477
Lease liabilities – non-current portion	23	**716**	—
Deferred taxation	25	**8,854**	895
		11,514	3,372
NET ASSETS		**1,776,688**	1,632,379
Capital and reserves			
Share capital	26	**93,053**	93,053
Reserves		**1,570,159**	1,539,326
Equity attributable to owners of the Company		**1,663,212**	1,632,379
Non-controlling interests	37	**113,476**	—
TOTAL EQUITY		**1,776,688**	1,632,379

The consolidated financial statements on pages 51 to 118 were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Cheung Ka Yee
Director

Tsang Wing Man
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to equity holders of the Company										
		Reserves									
	Share capital HK$'000	Share premium HK$'000 (Note i)	Contribution surplus HK$'000 (Note ii)	Available-for-sale investment revaluation reserve HK$'000	Asset revaluation reserve HK$'000 (Note iii)	Other reserves HK$'000	Retained earnings HK$'000	Total reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	93,053	907,280	760,799	90,364	49,211	(209,904)	1,101,201	2,698,951	2,792,004	–	2,792,004
Impact on initial application of HKFRS 9	–	–	–	(90,364)	–	–	90,364	–	–	–	–
As restated	93,053	907,280	760,799	–	49,211	(209,904)	1,191,565	2,698,951	2,792,004	–	2,792,004
Profit for the year	–	–	–	–	–	–	109,180	109,180	109,180	–	109,180
Other comprehensive income (loss)											
Items that are reclassified or may be reclassified subsequently to profit or loss											
Share of other comprehensive loss of an associate	–	–	–	–	–	(20,957)	–	(20,957)	(20,957)	–	(20,957)
Release of other reserves upon distribution in specie of shares in an associate	–	–	–	–	–	230,861	–	230,861	230,861	–	230,861
Total other comprehensive income for the year	–	–	–	–	–	209,904	–	209,904	209,904	–	209,904
Total comprehensive income for the year	–	–	–	–	–	209,904	109,180	319,084	319,084	–	319,084
Transactions with owners:											
Contribution and distribution											
2017 final dividend	–	–	–	–	–	–	(18,611)	(18,611)	(18,611)	–	(18,611)
Transfer of contributed surplus to retained profits	–	–	(716,158)	–	–	–	716,158	–	–	–	–
Interim dividend by way of distribution in specie of shares in an associate	–	–	–	–	–	–	(791,700)	(791,700)	(791,700)	–	(791,700)
Interim dividend by way of distribution in specie of shares in a financial asset at FVPL	–	–	–	–	–	–	(668,398)	(668,398)	(668,398)	–	(668,398)
	–	–	(716,158)	–	–	–	(762,551)	(1,478,709)	(1,478,709)	–	(1,478,709)
At 31 December 2018	93,053	907,280	44,641	–	49,211	–	538,194	1,539,326	1,632,379	–	1,632,379

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

		Attributable to equity holders of the Company								
			Reserves							
	Note	Share capital HK$'000	Share premium HK$'000 (Note i)	Contribution surplus HK$'000 (Note ii)	Asset revaluation reserve HK$'000 (Note iii)	Retained earnings HK$'000	Total reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019		93,053	907,280	44,641	49,211	538,194	1,539,326	1,632,379	–	1,632,379
Profit and total comprehensive income for the year		–	–	–	–	22,312	22,312	22,312	(1,237)	21,075
Transactions with owners:										
Change in ownership interests										
Non-controlling interests arising from business combination	30	–	–	–	–	–	–	–	250,434	250,434
Changes in ownership interests in subsidiaries that do not result in a loss of control	31	–	–	–	–	8,521	8,521	8,521	(135,721)	(127,200)
		–	–	–	–	8,521	8,521	8,521	114,713	123,234
At 31 December 2019		93,053	907,280	44,641	49,211	569,027	1,570,159	1,663,212	113,476	1,776,688

Notes:

(i) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value. The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(ii) Contributed surplus originally represented the excess of the net asset values of the subsidiaries acquired over the nominal value of the Company's shares issued for their acquisitions at the time of the reorganisation in preparation for the listing of the Company's shares in 1993. Under the Bermuda Companies Act 1981 (as amended from time to time), the contributed surplus may be distributed to shareholders under certain circumstances.

(iii) Asset revaluation reserve arose from changes in use from owner-occupied properties to investment properties carried at fair value in prior year.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
OPERATING ACTIVITIES			
Profit before taxation		**28,037**	90,366
Depreciation of property and equipment and right-of-use assets	14	**1,954**	312
Impairment losses on loan receivables	34	**1,883**	5,912
Impairment losses on promissory note receivable	34	**3,184**	—
Gain on bargain purchase of subsidiaries	30	**(8,260)**	—
Gain on disposal of a subsidiary	29	**(385)**	—
Gain on disposal of debt investments at amortised cost	17(a)	**(11,482)**	—
(Gain) Loss on disposal of property and equipment	5	**(120)**	3
Gain on distribution in specie of shares in an associate		**—**	(139)
Gain on distribution in specie of shares in a listed equity investment at fair value through profit or loss		**—**	(6,072)
Dividend income	5	**(8,530)**	(28,347)
Interest income	5	**(29,957)**	(15,964)
Interest expenses	8	**1,099**	440
Net fair value losses (gains) on investment properties	7	**6,300**	(24,918)
Net fair value (gains) losses on financial assets at FVPL	5	**(47,364)**	2,110
Share of profit of an associate		**—**	(28,048)
Changes in working capital			
Financial assets at FVPL		**407,832**	104,903
Trade, loan and other receivables		**(381,900)**	56,745
Bank balances — trust and segregated accounts		**(25,742)**	—
Trade and other payables		**29,291**	1,741
Cash (used in) generated from operations		**(34,160)**	159,044
Income tax paid		**—**	(151)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(34,160)**	158,893
INVESTING ACTIVITIES			
Interest received		**13,051**	15,514
Dividend received		**8,530**	28,347
Additions to investment properties		**—**	(1,782)
Cash dividend received from an associate		**—**	2,730
Proceeds from disposal of debt investments at amortised cost		**84,086**	—
Proceeds from disposal of property and equipment		**980**	—
Purchase of debt investments at amortised cost		**(39,491)**	(66,440)
Purchases of items of equipment	14	**(387)**	(842)
Net cash inflow arising from disposal of a subsidiary	29	**745**	—
Net cash outflow arising from acquisition of subsidiaries	30	**(27,652)**	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**39,862**	(22,473)

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES			
New interest-bearing borrowings raised		**187,500**	10,000
Repayment of interest-bearing borrowings		**(625)**	(17,500)
Principal portion of lease payments		**(1,337)**	—
Interest paid		**(669)**	(443)
Dividend paid		**—**	(18,611)
Net cash outflow arising from acquisition of additional interests in subsidiaries	31	**(127,200)**	—
Transaction cost incurred for distribution in species to shareholders		**—**	(4,178)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	28	**57,669**	(30,732)
Net increase in cash and cash equivalents		**63,371**	105,688
Cash and cash equivalents at beginning of the reporting period		**168,883**	63,195
Cash and cash equivalents at end of the reporting period, represented by cash and bank balances		**232,254**	168,883
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**232,254**	17,855
Time deposits		**—**	151,028
		232,254	168,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

1. GENERAL

Planetree International Development Limited (formerly known as Yugang International Limited) (the "Company") is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the 2019 annual report of the Company.

The Company and its subsidiaries (together the "Group") principally engages in (i) trades and holds debt and equity securities, (ii) money lending services, (iii) property leasing, and (iv) provisions of dealing in securities (Type 1), dealing in futures contracts (Type 2) and asset management services (Type 9).

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

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year. Except for HKFRS 16, the adoption of the other amendments does not have any significant impact on the consolidated financial statements.

Adoption of new/revised HKFRSs

Annual Improvements Project – 2015-2017 Cycle

HKAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in HKFRS 9.

HKAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Adoption of new/revised HKFRSs *(continued)*

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows:

	HK$'000
Operating lease commitments at 31 December 2018	3,059
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(3,059)
Lease liabilities at 1 January 2019	—

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties and financial assets at FVPL, which are measured at fair values as explained in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

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

Changes in ownership interest

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in note 38 to the consolidated financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Land and building	2%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Investment properties

Investment properties are buildings that are held by owner or lessee, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

Intangible assets

The amount represented trading rights that confer eligibility on the Group to trade on the Stock Exchange and The Hong Kong Futures Exchange Limited. The trading rights have no foreseeable limit to the period over which the Group can use to generate cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until its useful life is determined to be finite.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; or (ii) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

1) *Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include debt investments at amortised cost, trade, loan and other receivables, bank balances – trust and segregated accounts and bank balances and cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and measurement (continued)

2) *Financial assets at FVPL*

These investments include financial assets that are not measured at amortised cost or fair value through other comprehensive income ("FVOCI"), including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets mandatorily measured at FVPL include listed equity securities.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables and interest-bearing borrowings. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items under HKFRS 9

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets and other items under HKFRS 9 (continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, except in the case of debt investment measured at FVOCI, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

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

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets and other items under HKFRS 9 (continued)

Assessment of significant increase in credit risk

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

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed in note 34 to the consolidated financial statements, debt investments at amortised cost, rental receivables, other receivables and bank balances are determined to have low credit risk.

Credit-impaired financial asset

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets and other items under HKFRS 9 (continued)

Credit-impaired financial asset (continued)

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Equity instruments

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

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Revenue recognition

Rental income

Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term. Before 1 January 2019, contingent rents are recognised as income in the period in which they are earned. From 1 January 2019, variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date and subsequently adjusted when such index or rate changes. Such payments are recognised as income on the straight-line basis over the lease term. Other variable lease payments are recognised as income in the period in which the event or condition that triggers those payments occurs.

Dividend income

Dividend income from financial assets is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is securities brokerage, financial, consultancy and corporate financial services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers within HKFRS 15 (continued)

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue or income arising commission income for broking business is recorded as income at point in time on a trade date basis.

Interest income

- Interest income from margin clients is recognised over time on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is also the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property and equipment, intangible assets and investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Leases

Applicable from 1 January 2019

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

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	2 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Applicable from 1 January 2019 (continued)

As lessee (continued)

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset, if any, during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

As lessor – operating lease

The Group applies the derecognition and impairment requirements in HKFRS 9 to the operating lease receivables.

Applicable before 1 January 2019

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

As lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Retirement benefit costs

Payment to defined contribution retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Long service payments

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Share-based payment transactions

Equity-settled share-based transactions

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

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

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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:

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

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

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

3. FUTURE CHANGES IN HKFRSS

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

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

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

2 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

3 The effective date to be determined

The directors do not anticipate that the adoption of these new/revised HKFRS in future periods will have any material impact on the result of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Provision for ECL on loan and interest receivables, promissory note receivable and debt investments at amortised cost

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default, losses given default and collateral recovery, changes in which can result in different levels of allowances.

The Group's ECL calculations on loan and interest receivables, promissory note receivable and debt investments at amortised cost are based on assumptions about risk of default and losses given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the debtors or comparable companies in the market, existing market conditions as well as forward looking estimates (such as gross domestic product and market volatility) at the end of each reporting period. It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At 31 December 2019, the carrying amount of the Group's loan and interest receivables, promissory note receivable and debt investments at amortised cost amounted to HK$87,122,000 (2018: HK$116,758,000), HK$173,409,000 (2018: Nil) and HK$39,737,000 (2018: HK$66,769,000), respectively. Net impairment losses of HK$7,795,000 (2018: HK$5,912,000) and HK$3,184,000 (2018: Nil) have been recognised for the Group's loan and interest receivables and promissory note receivable as at 31 December 2019 respectively, and no specific impairment was made against the Group's debt investments at amortised cost as at 31 December 2019 and 31 December 2018. Further details, including the key assumptions and inputs used for impairment calculations, of the Group's loan and interest receivables and debt investments at amortised cost and are set out in notes 17, 19 and 34 to the financial statements, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Key sources of estimation uncertainty *(continued)*

Estimation of fair value of investment properties

The fair values of the Group's investment properties are assessed by management based on the property valuation performed by independent professionally qualified valuer on an open market, existing use basis. The assumptions adopted in the property valuation are based on market conditions existing at each reporting date, with reference to comparable sales transactions and where appropriate, on the basis of capitalisation of the rental income and reversionary income potential.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	Note	2019 HK$'000	2018 HK$'000
Revenue			
Fee and commission income	(a)	713	—
Net (loss) gain on disposal of financial assets at FVPL	(b)	(42,986)	10,624
Interest income from:			
— margin clients		747	—
— loan receivables		14,146	15,253
— debt investments at amortised cost		12,401	447
		27,294	15,700
Dividend income from			
— financial assets at FVPL		8,530	28,347
Gross rental income		12,267	11,287
		5,818	65,958

Notes:

(a) All fee and commission income are recognised at a point in time.

(b) The amount represented the proceeds from the disposal of financial assets at FVPL of HK$667,804,000 (2018: HK$119,546,000) less relevant costs and carrying value of the investments sold of HK$710,790,000 (2018: HK$108,922,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

	Note	**2019** **HK$'000**	2018 HK$'000
Other income and gains			
Interest income on:			
— bank deposits		**231**	264
— other receivable from ex-shareholder of a subsidiary of Liberty		**297**	—
— promissory note receivable		**2,135**	—
		2,663	264
Gain on disposal of a subsidiary	29	**385**	—
Gain on disposal of property and equipment		**120**	—
Gain on distribution in specie of shares in an associate		**—**	139
Gain on distribution in specie of shares in a financial asset at FVPL		**—**	6,072
Net fair value gains on financial assets at FVPL		**47,364**	—
Net fair value gains on investment properties	15	**—**	24,918
Net exchange gain		**—**	118
Others		**359**	125
		48,228	31,372
		50,891	31,636

6. SEGMENT INFORMATION

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. Money lending business was separated from treasury management as a single segment. Prior year segment disclosures have been represented to conform with the current year's presentation.

The Group's reportable and operating segments are as follows:

(a) The treasury management segment which trades and holds debt and equity securities, earns interest and dividend income from the relevant securities investments;

(b) The property leasing segment consists of the leasing of properties directly owned by the Group for rental income and/or capital appreciation potential;

(c) The financial services – money lending segment which generates interest income from money lending activities; and

(d) The financial services – brokerage and related services segment engaged in the provision of dealing in securities, dealing in futures contracts and asset management services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

6. SEGMENT INFORMATION *(continued)*

Segment revenue 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

	Treasury management HK$'000	Property leasing HK$'000	Financial services – money lending HK$'000	Financial services – brokerage and related services HK$'000	Consolidated HK$'000
Revenue	(22,055)	12,267	14,146	1,460	5,818
Other income and gains	49,557	—	—	4	49,561
Segment revenue	27,502	12,267	14,146	1,464	55,379
Segment profit (loss)	24,366	(4,725)	8,423	(1,048)	27,016
Unallocated other income and gains					1,330
Gain on bargain purchase of subsidiaries					8,260
Corporate and unallocated expenses, net					(15,531)
Profit for the year					21,075

For the year ended 31 December 2018 (Restated)

	Treasury management HK$'000	Property investment HK$'000	Property leasing HK$'000	Financial services – money lending HK$'000	Reportable segments total HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Revenue	39,418	43,771	11,287	15,253	109,729	(43,771)	65,958
Other income and gains	6,688	54,180	24,946	2	85,816	(54,180)	31,636
Segment revenue	46,106	97,951	36,233	15,255	195,545	(97,951)	97,594
Segment profit	55,655	82,155	26,986	3,683	168,479	(54,107)	114,372
Corporate and unallocated expenses, net							(5,192)
Profit for the year							109,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2019

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

Segment revenue includes revenue from treasury management, property leasing, financial services – money lending and financial services – brokerage and related services operations. In addition, the chief operating decision makers also consider other income and gains as segment revenue.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies in note 2. Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income and gains, certain finance costs and the central corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Note:

The activities of the property investment segment was carried on through an associate of the Group and therefore, the entire revenue and gains of this reportable segment and its profit for the year not attributable to the Group are excluded to arrive at the Group's consolidated revenue and gains and consolidated profit for the year ended 31 December 2018.

Segment assets and liabilities

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

At 31 December 2019

	Treasury management *HK$'000*	Property leasing *HK$'000*	Financial services – money lending *HK$'000*	Financial services – brokerage and related services *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Assets	719,245	459,020	87,122	482,120	292,950	2,040,457
Liabilities	(5,715)	(7,415)	(386)	(58,974)	(191,279)	(263,769)

At 31 December 2018

	Treasury management *HK$'000*	Property investment *HK$'000*	Property leasing *HK$'000*	Financial services – money lending *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Assets	888,045	—	469,890	116,760	172,150	1,646,845
Liabilities	(29)	—	(3,803)	(42)	(10,592)	(14,466)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

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

- all assets are allocated to operating and reportable segments other than certain property and equipment, certain other receivables and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables, certain lease liabilities, interest-bearing borrowings, certain income tax payable and certain deferred taxation.

Other segment information
For the year ended 31 December 2019

	Treasury management *HK$'000*	Property leasing *HK$'000*	Financial services – money lending *HK$'000*	Financial services – brokerage and related services *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or segment assets:						
Capital expenditure	—	—	—	173,815	9,047	182,862
Interest income included in other income and gains	2,135	—	—	4	524	2,663
Interest expenses	181	815	—	—	103	1,099
Impairment losses on loan receivables	—	—	1,883	—	—	1,883
Impairment loss on promissory note receivable	3,184	—	—	—	—	3,184
Gain on disposal of a subsidiary	—	—	—	—	385	385
Depreciation of property and equipment and right-of-use assets	—	78	—	263	1,613	1,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

6. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

For the year ended 31 December 2018 (Restated)

	Treasury management *HK$'000*	Property investment *HK$'000*	Property leasing *HK$'000*	Financial services – money lending *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or segment assets:						
Share of profit of an associate	—	28,048	—	—	—	28,048
Capital expenditure	—	—	—	—	842	842
Interest income included in other income and gains	262	—	—	2	—	264
Interest expenses	440	—	—	—	—	440
Impairment losses on loan receivables	—	—	—	5,912	—	5,912
Depreciation of property and equipment	—	—	78	—	234	312

Geographical information

The Group's operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all non-current assets (excluding financial assets) are located in Hong Kong.

Information about major customers

Revenue from the customers individually accounted for 10% or more of the Group's revenue, excluding revenue from trades and holds debt and equity securities, for the years ended 31 December 2019 and 2018 is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Customer A *	**8,160**	—
Customer B ^	**4,078**	—
Customer C ^	**3,787**	3,520
Customer D *	**2,915**	—
Customer E ^	**—**	3,738
Customer F *	**—**	3,468
Customer G *	**—**	2,959

* Attributable to financial services — money lending segment.

^ Attributable to property leasing segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

7. OTHER EXPENSES

	2019 HK$'000	2018 HK$'000
Net fair value losses on financial assets at FVPL	—	2,110
Net fair value losses on investment properties (Note 15)	6,300	—
	6,300	2,110

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on interest-bearing borrowings	996	440
Imputed interest on lease liabilities	103	—
	1,099	440

9. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2019 HK$'000	2018 HK$'000
Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	10,351	15,761
Retirement benefit scheme contributions	210	298
	10,561	16,059
Auditor's remuneration	1,350	1,648
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	621	640
Net exchange loss (gain)	385	(118)
Lease payments in respect of rented premises	264	1,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2019

10. INCOME TAX EXPENSE (CREDIT)

The two-tiered profits tax rates regime has been implemented from 1 April 2018, under which, the profit tax rate for the first HK$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2,000,000 will continue be taxed at the rate of 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

For the years ended 31 December 2019 and 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime.

	2019 ***HK$'000***	2018 *HK$'000*
Current tax		
Hong Kong Profits Tax		
Current year	**59**	19
Under (Over) provision in prior year	**17**	(30)
	76	(11)
Deferred taxation		
Origination and reversal of temporary difference (Note 25)	**6,886**	(18,803)
Income tax expense (credit)	**6,962**	(18,814)

Reconciliation of income tax expense (credit)

	2019 ***HK$'000***	2018 *HK$'000*
Profit before taxation	**28,037**	90,366
Income tax at applicable tax rate 16.5% (2018: 16.5%)	**4,626**	14,910
Effect of two-tiered profits tax rates regime	**(49)**	(19)
Additional income subject to tax	**—**	38
Profit attributable to an associate	**—**	(4,628)
Non-deductible expenses	**12,379**	2,030
Tax exempt revenue	**(7,322)**	(17,920)
Unrecognised tax losses	**2,216**	7,088
Unrecognised temporary differences	**(695)**	—
Utilisation of previously unrecognised tax losses	**(5,407)**	(1,040)
Under (Over) provision in prior year	**17**	(30)
Reversal of deferred tax upon distribution in specie of a financial asset at FVPL	**—**	(19,067)
Others	**1,197**	(176)
Income tax expense (credit) for the year	**6,962**	(18,814)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

(i) Directors' and Chief Executive's remuneration:

The emoluments paid or payable to each of the 14 (2018: 9) directors were as follows:

For the year ended 31 December 2019

	Directors' fees HK$'000	Salaries, allowance and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:					
Lam Hiu Lo	—	2,038	170	18	2,226
Liang Kang	—	1,440	120	18	1,578
Cheung Ka Yee (Note (a))	—	520	—	12	532
Tsang Wing Man (Note (a))	—	280	—	12	292
Cheung Chung Kiu (Note (b))	—	—	—	—	—
Yuen Wing Shing (Note (c))	—	839	—	2	841
Zhang Qing Xin (Note (c))	—	620	—	—	620
Non-executive director:					
Lee Ka Sze, Carmelo (Note (d))	1,100	—	—	—	1,100
Independent non-executive directors:					
Chan Sze Hung (Note (e))	161	—	—	—	161
Ha Kee Choy, Eugene (Note (e))	161	—	—	—	161
Kwong Kai Sing, Benny (Note (e))	161	—	—	—	161
Luk Yu King, James (Note (f))	500	—	—	—	500
Ng Kwok Fu (Note (f))	275	—	—	—	275
Leung Yu Ming, Steven (Note (f))	275	—	—	—	275
	2,633	5,737	290	62	8,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(continued)*

(i) Directors' and Chief Executive's remuneration: *(continued)*

For the year ended 31 December 2018

	Directors' fees *HK$'000*	Salaries, allowance and benefits-in-kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:					
Cheung Chung Kiu (Note (b))	—	—	—	—	—
Yuen Wing Shing (Note (c))	—	—	1,500	2	1,502
Lam Hiu Lo	—	2,174	1,350	18	3,542
Zhang Qing Xin (Note (c))	—	2,008	—	—	2,008
Liang Kang	—	1,555	750	18	2,323
Non-executive director:					
Lee Ka Sze, Carmelo (Note (d))	1,100	—	—	—	1,100
Independent non-executive directors:					
Luk Yu King, James (Note (f))	500	—	—	—	500
Ng Kwok Fu (Note (f))	275	—	—	—	275
Leung Yu Ming, Steven (Note (f))	275	—	—	—	275
	2,150	5,737	3,600	38	11,525

Notes:

(a) On 30 April 2019, Ms. Cheung Ka Yee and Ms. Tsang Wing Man were appointed as executive directors of the Company.

(b) On 30 April 2019, Mr. Cheung Chung Kiu resigned as an executive director and Chairman of the Company.

(c) On 30 April 2019, Mr. Yuen Wing Shing and Mr. Zhang Qing Xin resigned as executive directors of the Company.

(d) On 30 April 2019, Mr. Lee Ka Sze, Carmelo resigned as a non-executive director of the Company.

(e) On 30 April 2019, Mr. Chan Sze Hung, Mr. Ha Kee Choy, Eugene and Mr. Kwong Kai Sing, Benny were appointed as independent non-executive directors of the Company.

(f) On 30 April 2019, Mr. Luk Yu King, James, Mr. Ng Kwok Fu and Mr. Leung Yu Ming, Steven resigned as independent non-executive directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(continued)*

(ii) Employees' remuneration:

The five highest paid individuals of the Group included 3 (2018: 4) directors of the Company. Details of their emoluments are included in note 11 (i) above.

The emoluments of the remaining 2 (2018: 1) highest paid individuals for the year are set out as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits-in-kind	2,900	1,072
Discretionary bonuses	—	560
Contribution to retirement benefits schemes	26	18
	2,926	1,650

The emoluments of the individuals are within the following bands:

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

During the years ended 31 December 2019 and 2018, 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.

12. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Interim dividends by way of distribution in specie	—	1,460,098

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil). Except for the distribution in specie as detailed below, no interim dividend in form of cash was declared for the financial years of 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

12. DIVIDENDS *(continued)*

On 24 August 2018, the Board of directors declared the payment of an interim dividend by way of a distribution in specie of 51,179,018 shares of The Cross-Harbour (Holdings) Limited ("CHH"), a financial asset at FVPL held by the Group to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of 11 CHH shares for every 2,000 Company shares held by shareholders whose names appeared on the register of members of the Company on 11 September 2018 (the "Distribution in Specie of CHH"). Out of the total of 53,009,708 shares of CHH, 51,179,018 shares of CHH with fair value amounted to approximately HK$668,398,000 were distributed, and the remaining 1,830,690 undistributed shares of CHH with fair value amounted to approximately HK$21,309,000 were carried as financial assets at FVPL as at 31 December 2018. The Distribution in Specie of CHH was completed on 19 September 2018.

On 30 October 2018, the Board declared the payment of an interim dividend by way of a distribution in specie of approximately 34.14% of the issued capital of its associate, Y. T. Realty Group Limited ("Y. T. Realty"), to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of 44 Y. T. Realty shares for every 1,500 Company shares held by shareholders whose names appeared on the register of members of the Company on 15 November 2018 (the "Distribution in Specie of Y. T. Realty"). A total of 273,000,000 shares of Y. T. Realty held by the Group with fair value amounted to approximately HK$791,700,000 were distributed. The Distribution in Specie of Y. T. Realty was completed on 23 November 2018.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on profit attributable to the equity holders of the Company and the weighted average number ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculations of basic and diluted earnings per share are based on:

Earnings

	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company, for the purpose of basic and diluted earnings per share	**22,312**	109,180

Number of shares

	2019	2018
Weighted average number of ordinary shares in issue during the year, for the purpose of basic and diluted earnings per share	**9,305,276,756**	9,305,276,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

14. PROPERTY AND EQUIPMENT

	Right-of-use assets – Office premises	Right-of-use assets – Land and buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reconciliation of carrying amount – year ended 31 December 2018							
At 1 January 2018	—	—	44	304	186	101	635
Additions	—	—	585	257	—	—	842
Write off	—	—	—	(3)	—	—	(3)
Depreciation	—	—	(59)	(78)	(74)	(101)	(312)
At 31 December 2018	—	—	570	480	112	—	1,162
Reconciliation of carrying amount – year ended 31 December 2019							
At 1 January 2019	**—**	**—**	**570**	**480**	**112**	**—**	**1,162**
Acquisition of subsidiaries (Note 30)	**—**	**171,400**	**4,073**	**323**	**2,542**	**—**	**178,338**
Additions	**4,137**	**—**	**—**	**—**	**387**	**—**	**4,524**
Disposals	**—**	**—**	**(517)**	**(240)**	**(103)**	**—**	**(860)**
Depreciation	**(1,379)**	**(218)**	**(181)**	**(85)**	**(91)**	**—**	**(1,954)**
At 31 December 2019	**2,758**	**171,182**	**3,945**	**478**	**2,847**	**—**	**181,210**
At 31 December 2018							
Cost	—	—	690	674	432	3,768	5,564
Accumulated depreciation	—	—	(120)	(194)	(320)	(3,768)	(4,402)
	—	—	570	480	112	—	1,162
At 31 December 2019							
Cost	**4,137**	**171,400**	**4,179**	**554**	**2,929**	**—**	**183,199**
Accumulated depreciation	**(1,379)**	**(218)**	**(234)**	**(76)**	**(82)**	**—**	**(1,989)**
	2,758	**171,182**	**3,945**	**478**	**2,847**	**—**	**181,210**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

14. PROPERTY AND EQUIPMENT *(continued)*

The Group leases office premises for its daily operations with a lease term of 2 and 50 years, respectively.

The Group has recognised the following amounts for the year:

	2019 HK$'000	2018 HK$'000
Lease payments:		
Short-term leases	**264**	—
Operating lease payments	**—**	1,135
Expenses recognised in profit or loss	**264**	1,135
Total cash outflow for leases	**1,704**	1,135

At 31 December 2018

The Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	HK$'000
Within one year	960
In the second to fifth years inclusive	2,099
	3,059

The property interests in land and buildings – leased for own use thereon (including the whole or part of undivided share in the underlying land) in Hong Kong of HK$171,182,000 (2018: Nil) are held by the Group as the registered owner. Those property interests were acquired from the previous registered owners by making lump sum payments at the upfront (which may be financed by a mortgage). Except for the variable amounts to be charged by the government subsequently that are reviewed regularly with reference to the rateable values, for example, there are no ongoing payments to be made under the terms of the land lease. At the end of the period, the remaining lease term is about 41 years.

15. INVESTMENT PROPERTIES

	Note	2019 HK$'000	2018 HK$'000
Fair value			
At the beginning of the reporting period		**464,000**	437,300
Additions		**—**	1,782
Net fair value losses	7	**(6,300)**	—
Net fair value gains	5	**—**	24,918
At the end of the reporting period		**457,700**	464,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

15. INVESTMENT PROPERTIES *(continued)*

At the end of the reporting period, the investment properties of HK$457,700,000 (2018: HK$464,000,000) are held under head leases with the remaining lease term of 40 to 849 years (2018: 41 to 850 years).

The Group's investment properties as at 31 December 2019 consist of two commercial properties (2018: two), three (2018: three) industrial properties and four (2018: four) residential properties in Hong Kong. The directors of the Company have determined that the investment properties consist of three classes of asset, i.e., commercial, industrial and residential, based on the nature, characteristics and risks of each property.

The property interests in investment properties thereon (including the whole or part of undivided share in the underlying land) in Hong Kong of HK$457,700,000 (2018: HK$464,000,000) are held by the Group as the registered owner. Those property interests were acquired from the previous registered owners by making lump sum payments at the upfront (which may be financed by a mortgage). Except for the variable amounts to be charged by the government subsequently that are reviewed regularly with reference to the rateable values, for example, there are no ongoing payments to be made under the terms of the land lease.

The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Ravia Global Appraisal Advisory Limited ("Ravia"), an independent professional valuer in Hong Kong which is a member of The Hong Kong Society of Financial Analysts Ltd, at HK$457,700,000.

Certain of the Group's investment properties with an aggregate carrying value at the end of the reporting period of HK$313,200,000 (2018: HK$130,300,000) were pledged to secure banking facilities granted to the Group (Note 24).

Leasing arrangement – as lessor

The Group leases certain of its investment properties to third parties under operating leases, which had an initial non-cancellable lease term of 6 months to 2 years. The leases do not include purchase or termination options. However, certain leases provide the lessees with options to extend at the end of the term for 3 years.

The investment properties are subject to residual value risk. The lease contract, as a result, includes a provision on residual value guarantee based on which the Group has the right to charge the tenant for any damage to certain of the investment properties at the end of the lease, unless the loss or damage caused through the act, neglect, omission or negligence of the Group. Besides, the Group has purchased insurance to protect it against any loss that may arise from accidents or physical damages of the properties.

Below is a maturity analysis of undiscounted lease payments to be received from the leasing of investment properties.

At 31 December 2019	***HK$'000***
Year 1	**11,664**
Year 2	**8,957**
Year 3	**4,840**
Year 4	**4,200**
Year 5	**4,200**
After year 5	**350**
Undiscounted lease payments to be received	**34,211**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

15. INVESTMENT PROPERTIES *(continued)*

Leasing arrangement – as lessor *(continued)*

The future aggregate minimum rental receivables under non-cancellable operating leases of investment properties were as follows:

At 31 December 2018	*HK$'000*
Within one year	9,137
In the second to fifth years inclusive	8,091
	17,228

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement for:				
Commercial properties	**—**	**—**	**313,200**	**313,200**
Industrial properties	**—**	**56,300**	**—**	**56,300**
Residential properties	**—**	**88,200**	**—**	**88,200**
	—	**144,500**	**313,200**	**457,700**

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Commercial properties	—	—	315,000	315,000
Industrial properties	—	58,000	—	58,000
Residential properties	—	91,000	—	91,000
	—	149,000	315,000	464,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

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Year ended 31 December 2019

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurement categorised within Level 3 of the fair value hierarchy:

	Commercial properties ***HK$'000***
Carrying amount at 31 December 2018 and 1 January 2019	**315,000**
Net fair value losses on investment properties	**(1,800)**
Carrying amount at 31 December 2019	**313,200**

Description of the valuation techniques and inputs used in Level 2 fair value measurement

At the end of the reporting period, the investment properties were revalued by Ravia, independent professional qualified valuers, on the market value basis using direct comparison approach.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties classified as Level 3 of the fair value hierarchy:

	Valuation techniques	**Significant inputs**	**Weighted average**
As at 31 December 2019			
Commercial properties	Income capitalisation approach	Market rental (per square feet)	HK$40 per month
		Market yields	2.50%
	Direct comparison approach	Price (per square feet)	HK$19,700
As at 31 December 2018			
Commercial properties	Income capitalisation approach	Market rental (per square feet)	HK$43 per month
		Market yields	2.65%
	Direct comparison approach	Price (per square feet)	HK$20,100

Under the direct comparison approach, fair value is determined by reference to comparable market transactions and adjusted for differences on location, physical and transaction attributes and is positively correlated to the estimated price.

Under the income capitalisation approach, fair value is based on capitalisation of rental income and reversionary income potential. Measurement of the fair value is positively correlated to the market rental and inversely correlated to market yields.

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Year ended 31 December 2019

16. INTANGIBLE ASSETS

	Trading rights and licenses *HK$'000*
Reconciliation of carrying amount	
At 1 January 2019	—
Additions – acquisition of subsidiaries (Note 30)	**6,500**
At 31 December 2019	**6,500**
At 31 December 2019	
Cost	**6,500**
Accumulated impairment losses	—
Net carrying amount	**6,500**

Impairment test on intangible assets

The trading rights and licenses of the Group were valued at 12 December 2019 by Ravia on direct sales comparison method under market approach. Ravia is not connected with the Group, and has appropriate qualifications and recent experience in the valuation of similar trading rights and licenses.

In estimating the fair value of the Group's trading rights and licenses, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group engages third party qualified valuer to perform the valuation of the Group's intangible assets. At the end of each reporting period, the management of the Group works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurement. The management of the Group would first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group would adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Company. One of the key unobservable inputs used in valuing the trading rights and licenses is the sales or offering prices. An increase/decrease in the sales or offering prices would result in an increase/decrease in fair value measurement of the trading rights and licenses by the same percentage.

Trading rights and licenses are classified as Level 3 under fair value hierarchy at 31 December 2019. No impairment losses on trading rights and licenses have been recognised for the year ended 31 December 2019.

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Year ended 31 December 2019

17. DEBT INVESTMENTS AT AMORTISED COST

	Note	**2019** ***HK$'000***	2018 *HK$'000*
Senior notes	(a)	**31,852**	66,769
Perpetual senior notes	(b)	**7,885**	—
		39,737	66,769

Notes:

(a) In November 2019, the Group acquired senior notes at total considerations of US$4,041,000 (equivalent to HK$31,657,000) issued by a series of independent third parties. At the end of the reporting period, the senior notes bear interest at range from 5.75% to 8.70% (2018: range from 7.875% to 8.5%) per annum, payable semi-annually and will mature in 29 months to 54 months (2018: 26 months to 42 months).

During the year ended 31 December 2019, the Group disposed debt investments at amortised cost with interest of approximately HK$72,447,000 (2018: Nil) because they no longer matched with the Group's investment strategy. Net gain on disposal of debt investments at amortised cost of HK$11,482,000 was recognised and included in the consolidated statement of profit or loss and other comprehensive income during the year.

(b) In November 2019, the Group acquired perpetual senior notes at a consideration of US$1,000,000 (equivalent to approximately HK$7,834,000) issued by an independent third party. The senior notes bear interest at 7.75% per annum and payable semi-annually.

18. OTHER ASSETS

At 31 December 2019, other assets represent statutory and other deposits with various exchanges and clearing houses and except for stamp deposits placed in the Stock Exchange, all other deposits are non-interest bearing.

At 31 December 2018, other assets represent debenture issued by The Dynasty Club Limited ("Dynasty Club Debenture") which was disposed in May 2019 (Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

19. TRADE, LOAN AND OTHER RECEIVABLES

	Note	2019 HK$'000	2018 HK$'000
Trade receivables			
Trade receivables arising from the business of securities brokerage			
— cash clients		**4**	—
— margin clients	(b)	**247,719**	—
— Hong Kong Securities Clearing Company Limited ("HKSCC")	(c)	**3**	—
Trade receivables from futures clearing house arising from the business of dealing in futures contracts		**5,554**	—
	(a)	**253,280**	—
Rental receivables		**320**	—
Loan and interest receivables			
Loan and interest receivables from independent third parties		**94,917**	122,670
Less: Loss allowance	34	**(7,795)**	(5,912)
	(d)	**87,122**	116,758
Other receivables			
Deposits with securities brokers	(e)	**77**	—
Other receivable from ex-shareholder of a subsidiary of Liberty	(f)	**51,803**	—
Promissory note receivable	(g)	**173,409**	—
Prepayments		**1,587**	4,686
Deposits		**1,378**	1,525
Other receivables		**830**	4,221
		229,084	10,432
		569,806	127,190
Less: Non-current portion			
Loan and interest receivables		**(995)**	(94,084)
Other receivables		**(173,769)**	(3,787)
		(174,764)	(97,871)
Current portion		**395,042**	29,319

Information about the Group's exposure to credit risks and loss allowance for trade, loan and other receivables is included in note 34 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

19. TRADE, LOAN AND OTHER RECEIVABLES *(continued)*

Notes:

(a) No ageing analysis by invoice date is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of financial services business. The Group offset certain trade receivable and trade payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 36 to the consolidated financial statements.

(b) Trade receivables from margin clients are repayable on demand and bear interest ranging from 12% to 24% (2018: Nil) per annum for year ended 31 December 2019. The loans are secured by pledged marketable securities with a total fair value of approximately HK$1,669,597,000 (2018: Nil). The Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Group. During the year ended 31 December 2019, no margin loans were granted to the directors of the Company nor directors of subsidiaries.

(c) The settlement terms of trade receivables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date.

(d) Loan receivables represent receivables arising from the Group's money lending business and are stated at amortised cost.

At the end of the reporting period, the loan receivables are related to four (2018: three) new customers and two (2018: one) existing customers. Loan receivables include fixed rate loan advances to independent third parties of approximately HK$25,282,000 (2018: Nil) which are secured by the pledge of certain collaterals and personal guarantees, bearing interest ranging from 15% to 24% (2018: Nil) per annum and have contractual loan period at 12 months and 14 months (2018: Nil) under the Group's money lending operation. The remaining balance includes both fixed and variable rate loan advances to independent third parties of approximately HK$61,840,000 (2018: HK$116,758,000) which are unsecured, bearing interest ranging from 5% to 24% (2018: 5% to 17%) per annum and not overdue as at the end of reporting period. The contractual loan period for majority of the remaining balance is between 9 months and 2 years (2018: between 8 months and 3 years).

The amount granted to individuals and corporates depends on management's assessment of credit risk of the customers by evaluation on background check (such as their profession, salaries and current working position for individual borrowers and their industry and financial position for corporate borrowers) and repayment abilities. As at 31 December 2019, allowance for impairment loss of HK$7,795,000 (2018: HK$5,912,000) is recognised for the loan receivables. Details are set out in note 34 to the consolidated financial statements.

(e) Deposits with securities brokers represented the funds deposited with the brokers' houses for securities trading purpose.

(f) The amount due is non-trade nature, unsecured, bears interest at 7% per annum and repayable in January 2020. The carrying amount of the amounts due approximates their fair values. The amount was fully settled in January 2020.

(g) On 30 September 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose 100,000,000 ordinary shares of a financial asset at FVPL at a consideration of HK$200,000,000 of which HK$10,000,000 is payable in cash and HK$190,000,000 is payable by issuance of a zero-coupon promissory notes at principal amount of HK$190,000,000 maturing on 30 June 2021. The disposal was completed on the same day and resulted in a loss on disposal of financial asset at FVPL of approximately HK$4,542,000 which has been charged to profit or loss during the year. The fair value of the promissory note receivable was approximately HK$174,458,000 at issue date of 30 September 2019.

During the year ended 31 December 2019, the Group recognised interest income and net impairment losses of HK$2,135,000 and HK$3,184,000 respectively for the promissory note receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

20. FINANCIAL ASSETS AT FVPL

	2019 HK$'000	2018 HK$'000
Held for trading, at fair value		
Equity securities – listed in Hong Kong	**505,618**	818,481

At the end of the reporting period, no investments had been exceeded 10% of the Group's total assets.

21. BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS/BANK BALANCES AND CASH

Time deposits and bank balances and cash

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

Bank balances – trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions (Note 22).

22. TRADE AND OTHER PAYABLES

	Note	2019 HK$'000	2018 HK$'000
Trade payables			
Trade payables arising from the business of securities brokerage	(a)		
— cash clients		**1,669**	—
— margin clients		**8,451**	—
— HKSCC		**40,420**	—
Trade payables arising from the business of options broking	(a)	**212**	—
Trade payables arising from the business of dealing in futures contract	(b)	**6,824**	—
		57,576	—
Other payables			
Other payables and accrued charges		**4,111**	11,128
Rental deposits received		**3,494**	2,443
		7,605	13,571
Less: non-current portion		**(1,944)**	(2,477)
Current portion		**5,661**	11,094
		63,237	11,094

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

22. TRADE AND OTHER PAYABLES *(continued)*

Notes:

(a) Trade payables to cash, margin and option clients are repayable on demand. The settlement terms of trade payables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of brokerage business.

Included in trade payables were amounts in aggregate of HK$44,402,000 (2018: Nil) in respect of the trust and segregated bank balances received and held for clients in the course of dealing in regulated activities. (Note 21).

(b) Trade payables to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their trading of futures contracts on the Hong Kong Futures Exchange Limited (the "HKFE"). The excesses of the outstanding amounts over the required initial margin deposits stipulated by the HKFE are repayable to clients on demand.

23. LEASE LIABILITIES

At 31 December 2019, the weighted average discount rate applied was 4.57% per annum.

Commitments and present value of lease liabilities:

	Lease payments 2019 *HK$'000*	Present value of lease payments 2019 *HK$'000*
Amounts payable:		
Within one year	**2,160**	**2,084**
In the second to fifth years inclusive	**720**	**716**
	2,880	**2,800**
Less: future finance charges	**(80)**	
Total lease liabilities	**2,800**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

24. INTEREST-BEARING BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Secured bank loans repayable on demand	**186,875**	—

The ranges of interest rates on the Group's interest-bearing borrowings are as follows:

	2019	2018
Interest rates		
1 month HIBOR*	**Plus 1.7% per annum**	N/A

* Hong Kong Interbank Offer Rate

At the end of the reporting period, bank loans with a clause in their terms that gives the banks an overriding right to demand for repayment are classified as current liabilities even though the directors do not expect that the banks would exercise their right to demand repayment. The bank loans were denominated in Hong Kong dollars and secured by the Group's certain investment properties and with carrying value of approximately HK$313,200,000 and corporate guarantee of HK$187,500,000 was provided by the Company.

The maturity terms of the bank loans based on repayment schedule pursuant to the loan facility letters (ignoring the effect of any repayment on demand clause) are as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**7,500**	—
In the second year	**7,500**	—
In the third to fifth years inclusive	**171,875**	—
	186,875	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. DEFERRED TAXATION

The movements for the year in the Group's net deferred tax position are as follows:

	Unrealised (gain) loss on financial assets at FVPL HK$'000	Depreciation allowance HK$'000	Collective impairment on intangible assets HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2018	(20,306)	(957)	—	1,565	(19,698)
Credited (Charged) to profit or loss for the year (Note 10)	19,106	(416)	—	113	18,803
At 31 December 2018	(1,200)	(1,373)	—	1,678	(895)
Acquisition of subsidiaries (Note 30)	—	—	(1,073)	—	(1,073)
(Charged) Credited to profit or loss for the year (Note 10)	(7,198)	(2,050)	—	2,362	(6,886)
At 31 December 2019	**(8,398)**	**(3,423)**	**(1,073)**	**4,040**	**(8,854)**

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Unrealised gain on financial assets at FVPL	**—**	—	**(8,398)**	(1,200)
Depreciation allowance	**—**	—	**(3,423)**	(1,373)
Collective impairment on intangible assets	**—**	—	**(1,073)**	—
Tax losses	**4,040**	1,678	**—**	—
Deferred tax asset (liabilities)	**4,040**	1,678	**(12,894)**	(2,573)
Offsetting	**(4,040)**	(1,678)	**4,040**	1,678
Net deferred tax liabilities	**—**	—	**(8,854)**	(895)

At the end of the reporting period, the Group had unrecognised temporary differences arising from unused tax losses of approximately HK$1,245,698,000 (2018: HK$1,201,700,000). Deferred tax assets have not been recognised due to the unpredictability of future profit available against which the Group can utilise the benefits therefrom. The tax losses do not expire under current tax legislation.

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26. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 (2018: HK$0.01) each		
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and **31 December 2019**	50,000,000,000	500,000

	Number of shares	Share capital *HK$'000*
Issued and fully paid:		
At 1 January 2018, 31 December 2018, 1 January 2019 and **31 December 2019**	9,305,276,756	93,053

27. SHARE OPTION

On 21 May 2015, the Company adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the employees and to serve such other purposes as the directors may approve from time to time.

Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 930,527,675 shares will be available for issue under the Scheme, which represent 10% of the Company's issued share capital at the end of the reporting period. Each participant cannot be entitled to more than 1% of the total number of shares in issue in any 12-month period. The option shall end, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme. The Scheme remains in force until 20 May 2025. No option has been granted under the Scheme since its adoption.

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Year ended 31 December 2019

28. OTHER CASH FLOW INFORMATION
Details of the changes in the Group's liabilities from financing activities are as follows:

For the year ended 31 December 2019

	Lease liabilities *HK$'000*	Interest-bearing borrowings *HK$'000*	Accrued interest *HK$'000*	Total *HK$'000*
At 1 January 2019	—	—	—	—
New leases	4,137	—	—	4,137
Interest expenses	103	—	996	1,099
Cash inflow (outflow) in financing activities:				
New interest-bearing borrowings raised	—	187,500	—	187,500
Repayment of interest-bearing borrowings	—	(625)	—	(625)
Principal portion of lease payments	(1,337)	—	—	(1,337)
Interest paid	(103)	—	(566)	(669)
At 31 December 2019	2,800	186,875	430	190,105

For the year ended 31 December 2018

	Interest-bearing borrowings *HK$'000*	Dividend payable *HK$'000*	Total *HK$'000*
At 1 January 2018	7,500	—	7,500
2017 final dividends payable	—	18,611	18,611
Interest expenses	443	—	443
Cash inflow (outflow) in financing activities:			
New interest-bearing borrowings raised	10,000	—	10,000
Repayment of interest-bearing borrowings	(17,500)	—	(17,500)
Settlement of dividend payable	—	(18,611)	(18,611)
Interest paid	(443)	—	(443)
At 31 December 2018	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. DISPOSAL OF A SUBSIDIARY

In May 2019, Joywell Holdings Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Aquatic Assets Limited ("Aquatic"), which is incorporated in the British Virgin Islands, at a total consideration of HK$745,000. The principal activity of Aquatic at the time of disposal is holding of Dynasty Club Debenture with carrying value of HK$360,000. The disposal was completed in May 2019.

	Aquatic *HK$'000*
Net assets disposed of	
Other assets	360
Gain on disposal of a subsidiary	385
Consideration	745
Cash consideration received and net cash inflow from disposal of a subsidiary	745

30. ACQUISITION OF SUBSIDIARIES

In May 2019, Planetree Cayman Limited ("Planetree Cayman"), a wholly owned subsidiary, entered into a conditional subscription agreement with Liberty Capital Limited ("Liberty"), a company incorporated in the Cayman Islands, to subscribe 2,000 shares of Liberty (the "Liberty Acquisition"), representing approximately 52.63% of the enlarged share capital of Liberty, at cash consideration of HK$270,000,000, of which HK$50,000,000 was paid by the Group as refundable deposit in accordance with the conditional subscription agreement. The principal activities of Liberty Group are provisions of dealing in securities (Type 1), dealing in futures contracts (Type 2) and asset management services (Type 9). The acquisition was completed on 12 December 2019. Upon completion of the transaction, Liberty became a non-wholly owned subsidiary of the Company.

The transaction costs of approximately HK$2,523,000 have been excluded from the consideration transferred and included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The Company recognised a gain on bargain purchase of HK$8,260,000 as a result of measuring at fair value its 52.63% equity interest in Liberty Group held upon completion of the business combination. The gain is included in the consolidated statement of profit or loss and other comprehensive income for the year. In the opinion of the directors, the gain on bargain purchase is mainly attributable to the increase in net asset value of Liberty Group given the consideration was made reference to the latest available net asset value of Liberty Group in May 2019 plus approximately 2% premium.

In respect of the acquired subsidiaries, the fair value of trade and other receivables acquired includes trade and other receivables with a fair value of approximately HK$54,958,000. The total gross contractual amount of the trade receivables were approximately HK$54,958,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

30. ACQUISITION OF SUBSIDIARIES *(continued)*

The following summarised the consideration paid and the amounts of the assets acquired and liabilities assumed, at the date of acquisition:

	HK$'000
Consideration	
Deposits paid	50,000
Cash	220,000
	270,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property and equipment *(Note 14)*	178,338
Intangible assets *(Note 16)*	6,500
Other assets	3,230
Trade and other receivables	54,958
Financial assets at FVPL	47,605
Bank balances – trust and segregated accounts	18,660
Bank balances and cash	242,348
Trade and other payables	(21,872)
Deferred tax liabilities *(Note 25)*	(1,073)
Total identifiable net assets	528,694
Non-controlling interest	(250,434)
Gain on bargain purchase on acquisition	(8,260)
Total consideration	270,000
Net cash outflow arising on the Liberty Acquisition	
Consideration paid in cash	(270,000)
Bank balances and cash	242,348
Net outflow of cash and cash equivalents	(27,652)

Since acquisition, the acquired business has contributed HK$1,461,000 and HK$4,328,000 to the revenue and loss of the Group respectively.

If the business combinations effected during the year had been taken place at the beginning of the year, the revenue and profit for the Group would have been HK$8,347,000 and HK$6,641,000 respectively.

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31. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES THAT DO NOT RESULT IN A LOSS OF CONTROL

Share repurchases by Liberty

On 13 December 2019 and 20 December 2019, Liberty had completed the following repurchase of shares (the "Liberty Repurchase"):

(i) On 13 December 2019, Liberty repurchased 330 ordinary shares from a minority shareholder at cash consideration of HK$42,000,000. The ordinary shares were cancelled immediately after repurchased; and

(ii) On 20 December 2019, Liberty repurchased 670 ordinary shares from two minority shareholders at cash consideration of HK$85,200,000. The ordinary shares were cancelled immediately after repurchased.

Upon completion of the Liberty Repurchase, the Company's voting rights in Liberty Group, through Planetree Cayman, increased from 52.63% to 57.64% on 13 December 2019, and further increased to 71.43% on 20 December 2019. The results and financial position of Liberty Group is included in the Group's consolidated financial statements, after accounting for the non-controlling interests of Liberty, to the extent of 71.43% ordinary equity interests in Liberty Group attributable to the equity holders of the Company according to the proportion of ordinary shares of Liberty indirectly held by the Company. The financial impact of the Liberty Repurchase to the consolidated financial statements is set out as follows:

	HK$'000
Net consideration paid to non-controlling interests	(127,200)
Carrying amount of non-controlling interests acquired	135,721
Difference recognised directly in equity	8,521

32. RELATED PARTY TRANSACTIONS

Except for the remuneration to the key management personnel, the Group does not have any significant related party transactions and balances for both years.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 11 to the consolidated financial statements.

33. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company 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 will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

33. CAPITAL MANAGEMENT *(continued)*

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in dealing in securities (Type 1), dealing in futures contracts (Type 2) and asset management services (Type 9) which are regulated entities under the Securities and Futures Commission and require to comply with Hong Kong Securities and Futures (Financial Resources) Rules (The "SF(FR)R") subject to the respective minimum capital requirements and liquid capital requirements. The management closely monitors, on a daily basis, the liquid capital requirements under SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by SF(FR)R throughout the year ended 31 December 2019.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Note	**2019** **HK$'000**	2018 HK$'000
Financial assets			
Mandatorily measured at FVPL		**505,618**	818,481
Amortised cost	(a)	**884,612**	358,156
Financial liabilities			
Amortised cost	(b)	**252,056**	13,571

Notes:

(a) Financial assets at amortised cost include debt investments at amortised cost, trade, loan and other receivables (excluding prepayments), time deposits, bank balances – trust and segregated accounts and bank balances and cash.

(b) Financial liabilities at amortised cost include trade and other payables and interest-bearing borrowings.

Financial risk management objectives and policies

At 31 December 2019, the Group's major financial instruments include trade, loan and other receivables, financial assets at FVPL, bank balances – trust and segregated accounts, bank balances and cash, trade and other payables and interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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. The risks associated and the management policies remain unchanged from prior year.

Market risk

Foreign currency risk

The Group has limited foreign currency risk as the Group carried out most of the transactions in the functional currency of the group entities – Hong Kong dollar and the Group's assets and liabilities are denominated in Hong Kong dollar. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and variable-rate loans to independent third parties. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

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34. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate bank balances and variable-rate loans as a result of the change of market interest rate is insignificant due to low interest rates on bank balances and insignificant balance of variable-rate loans at the end of the reporting period, thus no sensitivity analysis is prepared for cash flow interest rate risk.

Equity price risk

The Group is exposed to equity price risk through financial assets at FVPL. The directors of the Company manage the exposure by closely monitoring the portfolio of these financial instruments. The fair value of these financial instruments will be affected either positively or negatively, amongst others, by the changes in the closing market prices of the relevant listed equity and debt securities.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period. If the prices of the respective financial assets at FVPL had been 10% (2018: 10%) higher/ lower, and held other variables constant, the Group's profit after taxation for the year would increase/ decrease by approximately HK$42,219,000 (2018: HK$68,343,000), as a result of changes in the fair value of financial assets at FVPL.

Credit risk

The carrying amount of financial assets on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group reviews the recoverable amount of each individual financial assets at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables from margin clients

The Group provides financing services only to recognised and creditworthy third parties. It is the Group's policy that all these margin clients are subject to credit verification procedures. The margin loans are secured by pledged marketable securities and margins are set to ensure that certain proportion of the fair value of pledged marketable securities of the individual margin clients is higher than the corresponding outstanding loans.

As at 31 December 2019, the Group has concentration of credit risk as 35% and 100% of the total loans to margin clients which due from the Group's largest margin client and the five largest margin clients respectively.

The Group's customer base consists of six (2018: Nil) clients and the trade receivables from margin clients are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

34. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk (continued)

Trade receivables from margin clients (continued)

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition, whether the financial asset is credit-impaired and the amount of loss given default, the Group has taken into account the credit quality of clients, the collateral to margin receivable balances ratio, amount of margin shortfall of margin clients and pledged marketable securities and adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

After considering the above factors (but ignoring the collateral), the management assesses that all of the trade receivables from margin clients have not had a significant increase in credit risk and 12-month ECL will be recognised. The management of the Group considers the 12-month ECL of trade receivables from margin clients to be insignificant, so no loss allowance was recognised during the year.

Loan receivables

Management has money lending policies in place and the exposure to the credit risk is monitored on an ongoing basis. The Group grants loans only to recognised and creditworthy third parties. It is the Group's policy that all these borrowers are subject to credit verification procedures. Also, the Group has other monitoring procedures to ensure that follow-up action is promptly taken to recover overdue debts.

As at 31 December 2019, the Group has concentration of credit risk as 57% and 98% of total loan receivables was due from the Group's largest borrower and the five largest borrowers respectively (2018: 42% and 100% was due from the Group's largest borrower and the four largest borrowers respectively), within the money lending activities.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience for the borrowers and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

The Group has established a loan credit risk classification system and performs credit risk management based on loan classification in two categories of internal credit rating. The information about the ECL for the loan receivables as at 31 December 2019 is summarised below. After considering the above factors, a loss allowance of HK$7,795,000 has been made as of 31 December 2019.

At 31 December 2019

Internal credit rating	**Gross carrying amount** *HK$'000*	**ECL**	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*
Performing *(Note i)*	38,645	12-month	804	37,841
Underperforming *(Note ii)*	56,272	Lifetime	6,991	49,281
	94,917		7,795	87,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

34. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk (continued)

Loan receivables (continued)

At 31 December 2018

Internal credit rating	Gross carrying amount *HK$'000*	ECL	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Performing *(Note i)*	122,670	12-month	5,912	116,758

Note:

(i) Performing (Normal Credit Quality) refers to the loans that have not had a significant increase in credit risk and ECL in the next 12 months will be recognised.

(ii) Underperforming (Significant Increase in Credit Risk) refers to the loans that have had a significant increase in credit risk and for which the lifetime ECL will be recognised.

Ageing analysis

Ageing analysis of loan receivables (net of loss allowance) prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Less than 1 month	**11,776**	92,484
4 to 6 months	**24,012**	21,144
Over 12 months	**51,334**	3,130
At the end of the reporting period	**87,122**	116,758

Ageing analysis of loan receivables (net of loss allowance) prepared based on contractual due date is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Not yet past due	**87,122**	116,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

34. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk (continued)

Loan receivables (continued)

As at 31 December 2019, the Group recognised loss allowance of HK$7,795,000 (2018: HK$5,912,000) on its loan receivables. The movement in the loss allowance for loan receivables during the year is summarised below.

	2019			2018
	12-month ECL	**Lifetime ECL**		12-month ECL
	Performing	**Under-performing**	**Total**	Performing
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
At the beginning of the reporting period	**5,912**	**—**	**5,912**	—
(Decrease) Increase in allowance	**(4,239)**	**6,991**	**2,752**	5,912
Reversal of allowance upon recovery of loan	**(869)**	**—**	**(869)**	—
At the end of the reporting period	**804**	**6,991**	**7,795**	5,912

During the year, one of the loans has a significant increase in credit risk and was considered to classify as Under-performing (2018: Performing) for which the lifetime ECL will be recognised (2018: 12-month ECL). The significant increase in credit risk refers to increase in rate for exposure at default due to the deterioration of financial performance of the borrower.

The management closely monitor the credit quality of the loans and there are no indications that the loan receivables neither past due nor impaired will be uncollectible.

Promissory note receivable

After initial recognition, promissory note receivable is measured at the lower of (i) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with HKFRS 9 (the "amortised balance") and (ii) the amount of the loss allowance determined in accordance with the ECL model under HKFRS 9.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the promissory note receivable is credit-impaired, the Group has taken into account the financial position of the counterparty by reference to, among others, available press information, adjusted for forward-looking factors that are specific to the counterparty, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year. Accordingly, impairment is measured on 12-month ECL basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

34. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk (continued)

Promissory note receivable (continued)

The information about the ECL for the promissory note receivable as at 31 December 2019 is summarised below. After considering the above factors, a loss allowance of HK$3,184,000 has been made as of 31 December 2019.

At 31 December 2019

Internal credit rating	Gross carrying amount *HK$'000*	ECL	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Performing	**176,593**	**12-month**	**3,184**	**173,409**

As at 31 December 2019, the Group recognised loss allowance of HK$3,184,000 (2018: Nil) on its promissory note receivable. The movement in the loss allowance for promissory note receivable during the year is summarised below.

	12-month ECL Performing	
	2019 ***HK$'000***	2018 *HK$'000*
At the beginning of the reporting period	**—**	—
Increase in allowance	**3,184**	—
At the end of the reporting period	**3,184**	—

The management considers there are no indications that the promissory note receivable not impaired will be uncollectible.

Debt investments at amortised cost, rental receivables and other receivables

The Group considers that debt investments at amortised cost, rental receivables and other receivables, other than deposits with financial institutions, have low credit risk based on the debtors' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default, therefore, the credit risk associated with other receivables is minimal. No loss allowance was recognised for both years.

Deposits with financial institution

The credit risk on bank balances — trust and segregated accounts and cash and cash equivalents is limited because majority of the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation. No loss allowance was recognised for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

34 FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial 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 principal and interest cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity risk tables

	On demand or less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2019 *HK$'000*
2019					
Non-derivative financial liabilities					
Trade and other payables	63,237	—	1,944	65,181	65,181
Lease liabilities	568	1,668	724	2,960	2,800
Interest bearing borrowings	222,937	—	—	222,937	186,875
	286,742	1,668	2,668	291,078	254,856

The interest-bearing borrowings would be repaid according to the following schedule as set out in the loan agreement:

	2019 ***HK$'000***	2018 *HK$'000*
Within one year	**15,064**	—
Over one year but within two years	**15,252**	—
Over two years but within five years	**192,621**	—
	222,937	—

	On demand or less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2018 *HK$'000*
2018					
Non-derivative financial liabilities					
Trade and other payables	11,094	—	2,477	13,571	13,571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

35. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Fair value of the Group's financial assets that are measured at fair value

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	2019	2018		
1) Investments in listed equity securities classified as financial assets at FVPL	**Listed equity securities in: — Hong Kong HK$505,618,000**	Listed equity securities in: — Hong Kong HK$818,481,000	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements in both years. The details of the financial assets at FVPL are set out in note 20 to the consolidated financial statements.

(b) Fair value of the Group's financial assets and financial liabilities carried at other than fair value

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

36. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

36. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS *(continued)*

Under the continuous net settlement arrangement, money obligations receivable and payable with HKSCC due to or from the Group entities on the same settlement date are settled on a net basis. The Group has legally enforceable right to set off the amounts of receivables and payables with margin clients that are due to be settled on the same date.

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position are as follows:

	Gross amounts of recognised financial assets	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 set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019						
Accounts receivable arising from the business dealing in securities, options and futures contracts	281,637	(28,357)	253,280	—	(247,719)	5,561

	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 set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019						
Accounts payables arising from the business dealing in securities, options and futures contracts	85,933	(28,357)	57,576	—	—	57,576

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position are measured on the same basis as the recognised financial assets and financial liabilities, which is amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities
			2019		2018		
			Directly	Indirectly	Directly	Indirectly	
August Estate Limited	British Virgin Islands/Hong Kong	US$2	—	100	—	100	Property leasing
Bookman Properties Limited	British Virgin Islands/Hong Kong	US$2	—	100	—	100	Securities investment
Chase Create Investments Limited	Hong Kong	HK$2	—	100	—	100	Property leasing
Ferrex Holdings Limited	British Virgin Islands/Hong Kong	US$2	—	100	—	100	Securities investment
Funrise Limited	British Virgin Islands/Hong Kong	US$1	—	100	—	100	Securities investment
ISL Investments Limited	Hong Kong	HK$125,298,484	—	71.43	N/A	N/A	Property holding
Joywell Holdings Limited	British Virgin Islands	US$1	—	100	—	100	Investment holding
Liberty Capital Limited	Cayman Islands	US$2,800	—	71.43	N/A	N/A	Investment holding
Liberty Securities Limited	Hong Kong	HK$360,000,000	—	71.43	N/A	N/A	Securities brokerage and financial services
Maxlord Enterprises Limited	Hong Kong	HK$110,270,210	—	100	—	100	Money lending
New Wealth Limited	Hong Kong	HK$2	—	100	—	100	Property leasing
Planetree Asset Management Limited *(formerly known as Liberty Asset Management Limited)*	Hong Kong	HK$554,000,000	—	71.43	N/A	N/A	Asset management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities
			2019		2018		
			Directly	Indirectly	Directly	Indirectly	
Planetree Cayman Limited	Cayman Islands	US$1	100	—	N/A	N/A	Investment holding
Planetree Finance Limited	Hong Kong	HK$1	—	100	N/A	N/A	Money lending
Planetree Futures Limited *(formerly known as Liberty Futures Limited)*	Hong Kong	HK$22,000,000	—	71.43	N/A	N/A	Dealing in future contract
Planetree Management Limited	Hong Kong	HK$1	—	100	N/A	N/A	Corporate management
Planetree Treasury Limited	Hong Kong	HK$1	—	100	N/A	N/A	Securities investment
Regulator Holdings Limited	British Virgin Islands/Hong Kong	US$1	—	100	—	100	Securities investment
Sharp Light International Limited	Hong Kong	HK$1	—	100	—	100	Property leasing
Senico Investments Limited	British Virgin Islands/Hong Kong	US$2	—	100	—	100	Securities investment
Time Lander Limited	British Virgin Islands/Hong Kong	US$1	—	100	—	100	Property leasing
Yugang International (B.V.I.) Limited	British Virgin Islands	US$5	100	—	100	—	Investment holding
Yugang Management Limited	Hong Kong	HK$2	—	100	—	100	Corporate management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Financial information of subsidiaries with individually material non-controlling interests ("NCI")

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material NCI. The summarised financial information represents amounts before inter-company eliminations.

	Liberty Group *HK$'000*
At 31 December 2019	
Proportion of NCI's ownership interests	28.57%
Non-current assets	187,862
Current assets	513,666
Current liabilities	(303,289)
Non-current liabilities	(1,073)
Net assets	397,166
Carrying amount of NCI	113,476
Year ended 31 December 2019	
Revenue	1,461
Expenses	(5,789)
Loss for the year	(4,328)
Other comprehensive income	—
Total comprehensive loss	(4,328)
Loss attributable to NCI	(1,237)
Other comprehensive income attributable to NCI	—
Total comprehensive loss attributable to NCI	(1,237)
Net cash flows (used in) from:	
Operating activities	(242,014)
Investing activities	—
Financing activities	118,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2019

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 *HK$'000*	2018 *HK$'000*
Non-current assets			
Interests in subsidiaries	(a)	**1,000,243**	1,010,805
Current assets			
Prepayments		**635**	791
Cash and cash equivalents		**525**	1,708
		1,160	2,499
Current liabilities			
Other payables and accruals		**2,491**	2,660
Net current liabilities		**(1,331)**	(161)
NET ASSETS		**998,912**	1,010,644
Capital and reserves			
Share capital	26	**93,053**	93,053
Reserves	(b)	**905,859**	917,591
TOTAL EQUITY		**998,912**	1,010,644

This statement of financial position was approved and authorised for issue by the Board of Directors on 30 March 2020 and is signed on its behalf by:

Cheung Ka Yee
Director

Tsang Wing Man
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

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

Note:

(a) Interests in subsidiaries

Information about the interests in subsidiaries of the Company at the end of the reporting period is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Unlisted shares, at cost	**105,759**	105,759
Amounts due from subsidiaries	**894,484**	905,046
	1,000,243	1,010,805

The amounts due from subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, the advance is considered as quasi-equity loan to the subsidiaries.

(b) Movement of the reserves

	Share premium *HK$'000*	**Contributed surplus** *HK$'000*	**Retained earnings (Accumulated losses)** *HK$'000*	**Total** *HK$'000*
At 1 January 2018	907,280	839,108	94,494	1,840,882
Profit and total comprehensive income for the year	—	—	555,418	555,418
Transactions with owners:				
Contributions and distributions				
2017 final dividend	—	—	(18,611)	(18,611)
Transfer of contributed surplus to retained profits	—	(839,108)	839,108	—
Interim dividend by way of distribution in specie of shares in an associate	—	—	(791,700)	(791,700)
Interim dividend by way of distribution in specie of shares in a financial asset at FVPL	—	—	(668,398)	(668,398)
	—	(839,108)	(639,601)	(1,478,709)
At 31 December 2018 and 1 January 2019	907,280	—	10,311	917,591
Loss and total comprehensive loss for the year	—	—	(11,732)	(11,732)
At 31 December 2019	907,280	—	(1,421)	905,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

39. EVENTS AFTER THE REPORTING PERIOD

In addition to the events disclosed elsewhere in these consolidated financial statements, the Group had the following subsequent events:

(a) Subscription of shares in Liberty

On 22 January 2020, Planetree Cayman entered into a subscription agreement with Liberty to subscribe for 1,700 new shares at a total consideration of HK$227,800,000. Since completion, the Group has held approximately 82.22% ordinary equity interests in Liberty Group attributable to the equity holders of the Company. The subscription was completed in January 2020.

(b) Impact of Coronavirus Disease 2019 ("COVID-19")

In view of the outbreak of COVID-19 in January 2020 in the PRC, the PRC authority has taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

At the date of authorisation of these consolidated financial statements, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19.

Particulars of Properties

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Workshop Nos. 1, 2 and 7 on 4/F, Kodak House II, 39 Healthy Street East, North Point, Hong Kong	Industrial	Long-term	100%
Flat No. 16 on 18/F, Flat No. 18 on 37/F, Flat No.17 on 39/F and Flat No. 11 on 42/F, Apartment Tower on the Western Side, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong	Residential	Medium-term	100%
1/F and 11/F, China United Centre, No. 28 Marble Road, North Point, Hong Kong	Commercial	Long-term	100%

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
REVENUE	**5,818**	65,958	34,293	30,114	34,957
PROFIT BEFORE TAXATION	**28,037**	90,366	142,785	26,034	161,861
Income tax (expense)/credit	**(6,962)**	18,814	(15,280)	(4,186)	(32)
PROFIT FOR THE YEAR	**21,075**	109,180	127,505	21,848	161,829

ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
TOTAL ASSETS	**2,040,457**	1,646,845	2,831,197	2,849,037	3,168,114
TOTAL LIABILITIES	**(263,769)**	(14,466)	(39,193)	(57,620)	(91,538)
	1,776,688	1,632,379	2,792,004	2,791,417	3,076,576

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