東勝旅遊
ORIENT VICTORY TRAVEL

ORIENT VICTORY TRAVEL GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 265

Annual Report 2019

东胜集团
ORIENT VICTORY GROUP

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shi Baodong *(Chairman, Chief Executive Officer)*
Mr. Mo Yueming
Mr. Zhao Huining

Non-executive Director

Ms. Song Sining

Independent Non-executive Directors

Mr. Dong Xiaojie
Mr. He Qi
Mr. Suei Feng-jih

AUDIT COMMITTEE

Mr. Suei Feng-jih *(Chairman)*
Mr. He Qi
Ms. Song Sining

REMUNERATION COMMITTEE

Mr. Dong Xiaojie *(Chairman)*
Mr. Shi Baodong
Mr. Suei Feng-jih

NOMINATION COMMITTEE

Mr. Shi Baodong *(Chairman)*
Mr. He Qi
Mr. Suei Feng-jih

COMPANY SECRETARY

Mr. Ip Pui Sum

AUDITOR

KPMG
Public Interest Entity Auditor
registered in accordance with
the Financial Reporting Council Ordinance
8/F Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Luso International Banking Limited

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7/F, Winbase Centre
208 Queen's Road Central
Sheung Wan
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F, Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

STOCK CODE

265

WEBSITE

http://www.orientvictory.com.hk

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Orient Victory Travel Group Company Limited (the "Company", together with its subsidiaries the "Group"), I am pleased to present the annual report (the "Annual Report") of the Company for the year ended 31 December 2019 (the "Year").

SUMMARY OF RESULTS AND OUTLOOK

The Group will continue to explore opportunities to expand its business in order to add momentum to the growth of the Group in the long run.

The competition in diversified tourism products and services business has been keen. Face-to-face sale of air-tickets and other services has been challenged by the widespread usage of on-line tools. For the Year, the Group achieved a breakthrough to expand its source of business. Revenue from the diversified tourism products and services business in the PRC increased sharply. It has not only compensated the shortfall of approximately 14.19% in the Group's revenue from the diversified tourism products and services business in Hong Kong between both years, but also acted as a driver to push the revenue of the Group upward in the long run.

The Group has dedicated in developing the diversified tourism products and services business. Dongsheng (Beijing) International Travel Co., Limited* (東勝（北京）國際旅行社有限公司) ("Dongsheng Beijing"), a wholly-owned subsidiary of the Group, has expanded its scope of business by engaging in the wholesale of air tickets in the PRC during the Year. This is a new source of revenue and we believe that stepping into the wholesale business could enhance its presence in the tourism-related industry. In addition, the Group has acquired Beijing Jinlv Shidai Tourism Co. Limited* (北京金旅時代旅行社有限公司) ("Jinlv Shidai"), a non-wholly owned subsidiary of the Group, during the Year, which is also licensed to carry on business in the provision of diversified tourism products and services in the PRC.

Apart from the promotion of the current diversified tourism products and services business, the Group has been looking for potential and profitable business in order to broaden the benefit of the Group and its shareholders as a whole. The Group commenced its investment in the integrated development businesses in 2017 and the development of a residential area in New Zealand is its first project. The first phase of the residential zone was completed in the fourth quarter of 2019 and is under sale process. It is expected that development of the second phase would be commenced after the sale of the first phase of residential zone.

With reference to the consumption trends of recent years, people tend to enjoy their holiday in the style of leisure and health-care and spent more on food, entertainment and accommodation. These consumption trends improve the profitability of the development and operation of tourism attractions and culture spots as well as visitor accommodation and properties for leases and sales. The Group has been eager to expand its involvement in these integrated development businesses to provide various leisure and vacation products to its customers, and focusing on owning a series of tourism facilities spots to cater the potential needs of leisure, entertainment and accommodation from its customers. Also, investing in property development for providing accommodation, such as self-services apartments and residential apartments around the tourism attractions is another way to bring the tourism mentality into the daily life style.

In order to broaden the Group's income sources and achieve better return for its shareholders, in 2018, the Company completed acquisition of a tourism attraction and culture spot. Besides, the Company completed a number of acquisitions such as the acquisitions of Zhangjiakou Dakun Zhifang Real Estate Development Co., Limited* (張家口大坤直方房地產開發有限公司) ("Dakun Zhifang"), Hebei Yidao Town Real Estate Development Limited* (河北驛道小鎮房地產開發有限公司) ("Yidao Town Real Estate") and Zhangjiakou Wan Long Real Estate Tourism Company Limited * (張家口萬龍置業旅遊有限公司) ("Wan Long"), which have become the Company's non-wholly owned subsidiaries and are engaging in the developments of tourism-related accommodation facilities in the PRC. Further, during the Year, the Group recruited a team of talents who were equipped with experience of corporate image building, brand management, marketing, event planning and public relations and communication, and entered into the business of providing marketing, event planning and consultancy services. Such business will provide further growth momentum to the Group in the long run.

In May 2019, the Group completed the disposal of its financial services business as its performance does not meet the Board's expectation. In addition, the financial services business was not a core business of the Group. In view of the benefit of the Group and its shareholders as a whole, the Group ceased the financial services business such that the Group could improve its resources allocation.

CHAIRMAN'S STATEMENT

Looking forward, the Board believes that, as a result of the outbreak of the coronavirus (COVID-19) epidemic, the Group's performance for the year 2020 would be inevitably affected. In order to control spreading of the coronavirus and ensure the safety of people, the government has appealed to people to spend more time at home and issued polices to temporarily suspend business of some entertainment venues and scenery spots. The pandemic led to certain level of impact to the tourism, which may bring a huge impact to the Group's diversified tourism products and services business and integrated development businesses in the short-term. However, having considered the prevention measures of the Chinese government on the spreading of COVID-19, the expected improvement of the PRC economy and the continuous improvement of people's living standard, the tourism-related businesses will be vigorous in a long run. The Group will overcome the challenges ahead and continue to seek potential opportunities of the tourism-related industry, including but not limited to the further acquisition and development of diversified tourism products and services business, tourism facilities spots and related properties and accommodations. The potential investments, if materialised, shall enable the Group to expand its tourism-related business vertically and horizontally as well as generate synergy effects on the existing businesses of the Group. The Group will continue to take prudent and cautious steps in business development in order to improve the benefit of the Group and shareholders.

BUSINESS OUTLOOK

The "Travel +" (Travel + Integrated Development) will be the main revenue driver of the Group and the Group will develop "Travel +" business focusing on investment in tourism-related resources with a view to increasing its market share in the tourism market and integrated development, aiming to turn the Group into a comprehensive tourism-related service provider.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to the shareholders and business partners of the Company for their continuous support as well as to the Board, management and all our staff members for their diligence, devotions and contributions.

Shi Baodong
Chairman

Hong Kong, 31 March 2020

* denotes an English translation of the Chinese name for identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Diversified Tourism Products and Services Business

Diversified tourism products and services business remains the core business of the Group. Despite the slowdown of global economic growth and the intense competition resulting from the rise of on-line travel agencies, the Group recorded a significant growth of revenue in the diversified tourism products and services business. The driver of the growth of revenue mainly came from Dongsheng Beijing, a subsidiary of the Group acquired in 2018, which is principally engaged in the tourism business in the PRC and owns an outbound travel licence. Besides, during the Year, the Group acquired Jinlv Shidai, a non-wholly owned subsidiary of the Company, which is principally engaged in the sales of air tickets and provision of tourism-related services in the PRC. As a result, the source of revenue in the diversified tourism products and services business, geographically, has been further expanded to both Hong Kong and the PRC during the Year.

Revenue of the diversified tourism products and services business increased sharply by approximately HK$147.49 million from approximately HK$248.34 million for the year ended 31 December 2018 to approximately HK$395.83 million for the Year. The loss of the diversified tourism products and services business increased by approximately HK$5.32 million from approximately HK$5.29 million for the year ended 31 December 2018 to approximately HK$10.61 million for the Year. The increase in loss was mainly due to the increase in staff costs under the selling, general and administrative expenses incurred by the existing subsidiaries which have expanded their scale of operations in the PRC, and the increase in impairment losses on certain trade receivables and prepayments, deposits and other receivables.

Integrated Development Businesses

The Group has been operating in the integrated development businesses since the acquisition of the entire interest in a piece of land located at corner Miller Rise, Bankside Road, Millwater Parkway, Silverdale, Auckland, New Zealand with an aggregate area of approximately 15,742 sq.m. in 2017. The Group plans to develop the piece of land in certain phases and the first phase as self-serviced and residential units was completed and its demonstration unit has been available for potential buyers since the fourth quarter of 2019. Several units were sold during the first quarter of 2020. It is expected that development of the second phase would be commenced after the sale of the first phase of residential zone. On the other hand, the Group acquired certain companies in the PRC, namely Dakun Zhifang, Hebei Tu Men Travel Development Limited* (河北土門旅遊開發有限公司) ("Tu Men Travel"), Yidao Town Real Estate and Wan Long between December 2018 and March 2019, which are principally engaged in the operation and management of tourist attractions and culture spots, and the developments of tourism-related accommodation facilities in the PRC. During the Year, Tu Men Travel, for the first time, contributed revenue of approximately HK$49.39 million (2018: nil) to the Group, while Dakun Zhifang, Yidao Town Real Estate and Wan Long are under planning and development stage. In addition, the Group entered into the business of providing marketing, event planning and consultancy services during the Year, which contributed revenue of approximately HK$30.78 million (2018: nil) to the Group during the Year.

The profit of the integrated development businesses increased by approximately HK$28.56 million from the loss of approximately HK$0.06 million for the year ended 31 December 2018 to a profit of approximately HK$28.50 million for the Year. The increase in profit was mainly due to the commencement of operations of the above-mentioned business, and the recognition of valuation gains on investment properties located in the PRC and New Zealand.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Holding Business

Investment holding business of the Group mainly represented the equity interest in China Comfort Travel Group Company Limited* (中國康輝旅遊集團有限責任公司) ("China Comfort"), an associate of the Group. China Comfort engages in the provision of travel agent services in the PRC, including domestic travel, outbound travel and inbound travel, and provision of brand name for the franchisees. In the view that China Comfort recorded consolidated net losses for the four years ended 31 December 2016, 2017, 2018 and 2019 and that, during the year ended 31 December 2016, China Comfort had recorded a significant impairment on intangible assets, it was resolved by the Board on 26 March 2020 to proceed with the disposal of China Comfort (as detailed in paragraphs (b) of "Events After The Reporting Period" under the section headed "Management Discussion and Analysis" of this Annual Report) with a view to improving the Group's financial status and reducing the risk of having further losses and impairment derived from China Comfort. In addition, the Company is of the view that through the disposal, the Company will be able to optimise and adjust its asset structure to increase the liquidity of assets, improve the efficiency of the use of the Company's assets and gain certain benefits therefrom.

Financial Services Business

The Group had disposed of all of its interests in licensed corporations which carry the Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the Securities Future Ordinances (Chapter 571 of the Laws of Hong Kong) ("SFO") during the Year. The Board had put effort to improve its sources of revenue and operating performance in the past years, but the outcome did not meet the Board's expectation. In addition, the financial services business was not a core business of the Group. In order to allocate resources for the better interests to the shareholder, the Group ceased to engage in the financial services business since May 2019.

No revenue was generated from the financial services business for the Year, while a revenue of approximately HK$0.33 million was recorded for year ended 31 December 2018. The loss of the financial services business decreased by approximately HK$1.87 million from approximately HK$2.93 million for the year ended 31 December 2018 to approximately HK$1.06 million for the Year.

FINANCIAL ANALYSIS

Operating Performance

a. Continuing operations

The continuing operations of the Group are the provision of diversified tourism products and services, the provision of integrated development businesses and the investing holding.

Analysis by nature of revenue:

	2019		2018	
	HK$'000	**%**	HK$'000	%
Sales of air tickets	**311,157**	**65.37**	234,928	94.60
Sales of diversified tourism products, provision of travel and other related services and commission income	**84,671**	**17.79**	13,414	5.40
Sales of products and service income from tourism attractions	**49,388**	**10.38**	–	–
Marketing, event planning and consulting services	**30,783**	**6.46**	–	–
	475,999	**100.00**	248,342	100.00

The Group recorded revenue of approximately HK$476.00 million for the Year, representing an increase of approximately 91.67% as compared to approximately HK$248.34 million (restated) for the year ended 31 December 2018.

The revenue of the Group for the Year increased sharply as compared with the year ended 31 December 2018. The increase in the Group's revenue was mainly attributable to the increase in revenue from both of the diversified tourism products and services segment and the integrated development segment.

Revenue generated from the diversified tourism products and services segment accounted for approximately 83.16% of total revenue of the Group for the Year and accounted for 100.00% (restated) of total revenue of the Group for the year ended 31 December 2018. Under the diversified tourism products and services segment, revenue increased by approximately 59.39% from approximately HK$248.34 million for the year ended 31 December 2018 to approximately HK$395.83 million for the Year. In particular, Dongsheng Beijing, a subsidiary acquired during the year ended 31 December 2018, contributed revenue of approximately HK$166.94 million (2018: approximately HK$3.31 million) to the Group for the Year.

Revenue from the integrated development segment accounted for approximately 16.84% of total revenue of the Group for the Year. Tu Men Travel, a subsidiary acquired by the Group in December 2018, which engages in the operation and management of tourist attractions and culture spots in the PRC, contributed to the Group a full year operating revenue of approximately HK$49.39 million (2018: nil) for the Year. In addition, the Group entered into the business of providing marketing, event planning and consultancy services during the Year, which contributed revenue of approximately HK$30.78 million (2018: nil) to the Group for the Year.

Gross profit

The Group recorded a gross profit of approximately HK$49.13 million (2018: approximately HK$17.79 million (restated)) for the Year, representing an increase of approximately 176.17% as compared to the year ended 31 December 2018. The increase in gross profit was mainly attributable to (i) the increase in revenue for the Year; and (ii) a higher gross profit percentage generated from the businesses of Tu Men Travel and provision of marketing, event planning and consultancy services during the Year as compared to the diversified tourism products and service segment of the Group.

The gross profit margin was approximately 10.32% (2018: approximately 7.16% (restated)) for the Year. The increase in gross profit margin was mainly attributable to the higher gross profit margin of the integrated development segment which commenced operations during the Year.

Loss for the year

Loss from continuing operations of approximately HK$22.92 million (2018: approximately HK$57.06 million (restated)) was recorded for the Year, representing a decrease of approximately 59.83% as compared to the year ended 31 December 2018. The decrease was primarily attributable to the net effect of the following:

i. the increase in revenue and gross profit during the Year as detailed in "Financial Analysis – Operating Performance – Continuing Operations" under the section headed "Management Discussion and Analysis" of this Annual Report;

ii. the decrease in share of losses of associates of the Group by approximately HK$6.34 million from approximately HK$17.31 million for the year ended 31 December 2018 to approximately HK$10.97 million for the Year due to the shrinkage in the operating scale of China Comfort;

iii. the recognition of valuation gains on investment properties located in the PRC and New Zealand of approximately HK$28.03 million (2018: nil) based on valuations performed by independent professionally qualified valuers; and

iv. the increase in selling, general and administrative expenses by approximately HK$18.53 million from approximately HK$60.74 million (restated) for the year ended 31 December 2018 to approximately HK$79.27 million for the Year mainly due to the net effect of the increases in depreciation of other property, plant and equipment and right-of-use assets, staff costs and impairment losses on the trade receivables and prepayments, deposits and other receivables by approximately HK$7.41 million, HK$12.23 million and HK$7.81 million respectively for the Year and the decrease in total minimum lease payments for leases previously classified as operating leases under HKAS 17 of approximately HK$6.37 million for the Year.

b. Discontinued operations

The Group discontinued the operations of financial services segment in May 2019 (2018: discontinued the operations of trading and retail of jewellery segment in September 2018).

Revenue

There was no revenue (2018: approximately HK$0.33 million) generated from the financial services segment for the Year.

Revenue contributed from trading and retails of jewellery segment was approximately HK$26.98 million for the year ended 31 December 2018.

Gross profit

There was no gross profit generated from the financial services segment for the Year. The gross profit of the financial services segment and the trading and retails of jewellery segment were approximately HK$0.33 million and approximately HK$5.98 million respectively for the year ended 31 December 2018.

The gross profit margin were 100.00% and approximately 22.18% for the financial services segment and the trading and retails of jewellery segment respectively for the year ended 31 December 2018.

Loss for the year

The loss of the financial services business for the Year was approximately HK$1.06 million as compared to approximately HK$2.93 million for the year ended 31 December 2018, representing a decrease of approximately 63.82%. The decrease in loss was mainly due to the decrease in selling, general and administrative expenses during the Year.

The profit of the trading and retails of jewellery segment was approximately HK2.49 million for the year ended 31 December 2018.

Asset Structure

As at 31 December 2018 and 2019, assets of the Group included other property, plant and equipment, investment properties, intangible assets, lease prepayments, goodwill, interests in associates, other financial assets, inventories, trade receivables, prepayments, deposits and other receivables, and restricted bank deposits and cash and cash equivalents, details of which are set out below:

i. Other property, plant and equipment of approximately HK$132.17 million (2018: approximately HK$103.58 million) as at 31 December 2019 mainly represented properties and other equipment of the tourist attractions and culture spots owned by Tu Men Travel, a subsidiary of the Group, with a net carrying amount of approximately HK$125.21 million (2018: approximately HK$102.20 million). The increase was attributable to the transfer of land use rights of Tu Men Travel from lease prepayments as at 31 December 2018 to property plant and equipment upon the adoption of HKFRS 16.

ii. Investment properties of approximately HK$159.36 million (2018: nil) as at 31 December 2019 represented fair values of land under development located in the PRC and New Zealand owned by the Group.

iii. Intangible assets were approximately HK$7.81 million (2018: approximately HK$18.13 million) as at 31 December 2019, which consisted of travel licences, software and other intangible assets. The decrease in intangible assets were mainly attributable to the net effect of (i) the disposal of securities licences with a net carrying amount of approximately HK$16.39 million (2018: nil) through the disposal of financial services business; and (ii) the acquisition of a travel licence and other intangible assets of approximately HK$6.10 million through the acquisition of Jinlv Shidai.

iv. Goodwill was approximately HK$15.30 million (2018: approximately HK$12.99 million) as at 31 December 2019, which were derived from the acquisition of Tu Men Travel and Jinlv Shidai.

v. Interests in associates were approximately HK$343.52 million (2018: approximately HK$391.25 million) as at 31 December 2019, which were mainly attributable to the intangible assets, including trademark and distribution network, owned by China Comfort. The decrease in the interests in associates was mainly due to the change of Dakun Zhifang becoming a subsidiary of the Group as detailed in paragraph (a) of "Material Acquisition, Investments and Disposal" under the section headed "Management Discussion and Analysis" of this Annual Report.

vi. There was no (2018: approximately HK$71.06 million) other financial assets as at 31 December 2019. As at 31 December 2018, other financial assets represented a loan to Dakun Zhifang, a then associate of the Group. Upon the change of Dakun Zhifang becoming a subsidiary of the Group, the loan was eliminated on the Group's consolidated accounts.

vii. Inventories were approximately HK$193.36 million (2018: approximately HK$69.99 million) as at 31 December 2019, which mainly represented the properties and certain pieces of land under development in New Zealand and the PRC of approximately HK$51.83 million (2018: approximately HK$59.65 million) and approximately HK$141.22 million (2018: approximately HK$10.34 million) respectively. The increase in inventories was mainly due to the payment for acquisition of a piece of land in the PRC during the Year.

viii. Trade receivables were approximately HK$53.88 million (2018: approximately HK$25.58 million) as at 31 December 2019, which were mainly attributable to the diversified tourism products and services segment with an aggregate amount of approximately HK$43.08 million (2018: approximately HK$25.29 million).

ix. Prepayments, deposits and other receivables were approximately HK$162.21 million (2018: approximately HK$81.68 million) as at 31 December 2019, which mainly represented a loan to China Comfort of approximately HK$36.07 million (2018: loans to associates of approximately HK$62.90 million), prepayments for development of tourism attraction projects of approximately HK$34.88 million (2018: approximately HK$6.76 million) and prepayment on a piece of land in the PRC of approximately HK$61.66 million (2018: nil). The increase in prepayments, deposits and other receivables was mainly due to the above-mentioned prepayment on a piece of land in the PRC.

x. The aggregated amount of restricted bank deposits and cash and cash equivalents were approximately HK$120.93 million (2018: approximately HK$200.67 million), of which approximately HK$96.93 million (2018: approximately HK$47.35 million) , approximately HK$0.72 million (2018: approximately HK$8.52 million) and approximately HK$8.54 million (2018: approximately HK$8.70 million) were denominated in Renminbi ("RMB"), New Zealand dollars ("NZD") and the United States dollars ("USD"), respectively.

Liability Structure

As at 31 December 2018 and 2019, liabilities of the Group mainly included trade payables, other payables and accruals and borrowings, details of which are set out below:

i. Trade payables were approximately HK$40.34 million (2018: approximately HK$26.70 million) as at 31 December 2019, which were mainly attributable to the diversified tourism products and services segment with an aggregate amount of approximately HK$26.71 million (2018: approximately HK$24.95 million).

ii. Other payables and accruals were approximately HK$278.18 million (2018: approximately HK$170.21 million) as at 31 December 2019, which mainly represented amounts due to related parties of approximately HK$125.47 million (2018: approximately HK$51.00 million), consideration payable regarding the acquisition of Tu Men Travel of approximately HK$40.87 million (2018: approximately HK$42.24 million) and land and construction costs payable of approximately HK$39.50 million (2018: approximately HK$45.84 million).

iii. Short-term borrowings were approximately HK$17.94 million (2018: approximately HK$13.23 million) as at 31 December 2019, details of which are set out in "Liquidity and Financial Resources" under the section headed "Management Discussion and Analysis" of this Annual Report.

iv. Long-term borrowings were approximately HK$109.39 million (2018: nil) as at 31 December 2019, details of which are set out in "Liquidity and Financial Resources" under the section headed "Management Discussion and Analysis" of this Annual Report.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group's operations and investments have continued to be mainly supported by internal resources and borrowings. In addition, proceeds raised from the disposal of subsidiaries and top-up placing provided extra funding to the Group. Other than the funding assigned to the specific projects, the usages of funding are monitored by the Company. As at 31 December 2019, the aggregated amount of cash and cash equivalents and restricted bank deposit of the Group were approximately HK$120.93 million (2018: approximately HK$200.67 million), representing a decrease of approximately 39.74% as compared to 31 December 2018.

The decrease in cash and cash equivalents and restricted bank deposit was mainly attributable to the payment for acquisition of certain pieces of land in the PRC of approximately HK$128.32 million.

As at 31 December 2019, short-term borrowings of the Group of approximately HK$17.94 million were denominated in NZD and borrowings from a bank in New Zealand, which were secured as detailed in "Pledge of Assets" under the section headed "Management Discussion and Analysis" of this Annual Report, bearing interest at a rate of 3.99% per annum and repayable within a year. As at 31 December 2018, short-term borrowings of the Group of approximately HK$13.23 million were denominated in RMB and borrowings from related parties, which were unsecured, bearing interest at a rate of 4.35% per annum and repayable within one year.

Long-term borrowings of the Group of approximately HK$109.39 million (2018: nil) were denominated in RMB and borrowings from non-controlling shareholders of a subsidiary of the Group, which were unsecured, interest-free and repayable after one year.

As at 31 December 2019, the Group had a current ratio of approximately 1.49 (2018: approximately 1.79), and the gearing ratio was approximately 1.35% (calculated by dividing net debt (defined as short-term borrowings and long-term borrowings, net of cash and cash equivalents) by total equity). As at 31 December 2018, the gearing ratio was not applicable as the Group had net cash and cash equivalents status of approximately HK$175.65 million.

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK$, the Group would record a(n) increase/decrease in the Group's net asset value. During the Year, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital commitments relating to the investments in equity securities and developments of investment properties of approximately HK$536.39 million in aggregate (2018: investment in equity securities of approximately HK$82.66 million).

MATERIAL ACQUISITION, INVESTMENTS AND DISPOSAL

a. Change of Dakun Zhifang from an associate to a subsidiary of the Group

Reference is made to the announcements of the Company dated 12 June 2018 and 7 August 2018 in relation to, inter alia, the acquisition of 40% equity interest in Dakun Zhifang.

Pursuant to a shareholders' resolution of Dakun Zhifang passed on and the revised articles of association dated 29 March 2019, the composition of the board of directors of Dakun Zhifang has been amended (the "Amendment"). Pursuant to the Amendment, the directors of the Company consider that the Group has obtained the power to control Dakun Zhifang through its power to control the board of directors of Dakun Zhifang from that date onwards. 40% equity interest of Dakun Zhifang was acquired by the Group on 7 August 2018 and before the Amendment, Dakun Zhifang was accounted for using the equity method in the Group's consolidated financial statements.

The operating results and financial performance of Dakun Zhifang have been consolidated into the Group's financial statements as a subsidiary since 29 March 2019 (the date of becoming a subsidiary of the Group).

b. Acquisition of 51% equity interest in Jinlv Shidai

Reference is made to the announcements of the Company dated 18 November 2019 and 4 February 2020 in relation to, inter alia, the acquisition of 51% equity interest in Jinlv Shidai.

Pursuant to an agreement dated 18 November 2019 entered into between, among others, certain independent third parties of the Group (collectively the "Vendors") and Beijing Huayu Tourism Development Co., Limited* (北京華譽旅遊開發有限公司) ("Huayu"), an indirect wholly-owned subsidiary of the Company, Huayu acquired 51% equity interest in Jinlv Shidai from the Vendors for cash consideration of approximately RMB0.41 million (equivalent to approximately HK$0.46 million). The transaction was completed in November 2019 and Jinlv Shidai became a subsidiary of the Group since then. Jinlv Shidai engages in sales of air tickets and provision of other tourism-related services.

c. Disposal of 100% equity interest in Orient Victory International Financial Company Limited ("OVIF")

Reference is made to the announcement of the Company dated 18 April 2019 in relation to the disposal of 100% equity interest in OVIF.

Pursuant to an agreement dated 18 April 2019 entered into between Broad Vantage Limited ("Board Vantage"), an indirect wholly-owned subsidiary of the Company, and Mr. Shi Baodong ("Mr. Shi"), controlling shareholder of the Company, Broad Vantage transferred 100% equity interest in OVIF to Mr. Shi for cash consideration of HK$15.90 million. The principal activities of OVIF and its subsidiaries are the provision of financial services through the licensed corporations which carry the Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO. Completion of the disposal of 100% equity interest in OVIF took place on 15 May 2019 in accordance with the terms and conditions of the agreement.

The consolidated results of the OVIF and its subsidiaries for the period from 1 January 2019 to 15 May 2019 have been presented as discontinued operation in the Group's consolidated financial statements and the comparative figures of the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, and corresponding notes have been restated to show the discontinued operation separately from continuing operations.

Use of Net Proceeds

(a) Issue of 2016 October PCS and Shares under the open offer

The net proceeds from the issue of offered shares with an alternative of unlisted perpetual convertible securities and under an open offer in October 2016 amounted to approximately HK$291.62 million (after deducting the related cost and expenses). As at the date of this Annual Report, the Group had utilised all the net proceeds. For the purpose of allowing the Company to better utilise its financial resources in a more efficient manner and strengthen its future development, approximately HK$209.21 million was reallocated for the acquisition of asset(s) with potential appreciation so as to enhance the asset value of the Group. For details, please refer to the announcement of the Company dated 9 March 2020 in relation to change in use of proceeds from open offer (the "Reallocated Proceeds"). Other than the Reallocated Proceeds, the net proceeds was utilised as intended.

As at the date of this Annual Report, the Group had utilised all the net proceeds, details of which are set out below:

Net proceeds raised HK$'000	**Intended use of the net proceeds**		**Actual use of the net proceeds**		HK$'000
291,623	i)	Make initial capital injection to a fund to be established by a joint venture company and subscription price of 40% equity interest;	Pay the subscription price for 40% shares in a joint venture company;		7,800
	ii)	General working capital;	i)	First, second and fifth distribution to the holders of 2016 October PCS;	23,817
			ii)	Used as intended;	8,599
	iii)	Setup a wholly-owned licensed corporation;	Has not been used yet;		n/a
	iv)	6% distribution reserve of 2016 March PCS; and	6% distribution reserve of 2016 March PCS; and		10,200
	v)	If possible, acquire assets with potential appreciation.	i)	Partial payment of the consideration for the acquisition of 40% equity interest and shareholder loan in Dakun Zhifang;	20,524
			ii)	Payment of the shareholder loan for the investment in tourism-related projects by Dakun Zhifang;	80,954
			iii)	Partial payment of the consideration for the acquisition of 55% equity interest in Tu Men Travel and 75% equity interest in Yidao Town Real Estate;	11,410
			iv)	Payment for the acquisition of a piece of land and relevant construction costs; and	69,064
			v)	Payment for the acquisition of a piece of land by Dakun Zhifang.	59,255
					291,623

(b) Issue of ordinary shares from top-up placing under general mandate

The net proceeds from the issue of ordinary shares from top-up placing under general mandate in January 2019 amounted to approximately HK$22.19 million (after deducting the related cost and expenses). As at 31 December 2019, the Group has utilised all the net proceeds, details of which were set out as follows:

Net proceeds raised HK$'000	Intended use of the net proceeds	Actual use of the net proceeds	HK$'000
22,187	i) Pursuing the strategy of the Company to develop travel services and characteristic towns and to expand project resources and business development opportunities;	Used as intended;	19,587
	ii) Improving service quality of existing travel service projects of the Company; and	Had not been used; and	n/a
	iii) General working capital use of the Company.	Payment of professional fees.	2,600
			22,187

(c) Issue of ordinary shares from top-up placing under general mandate

The net proceeds from the issue of ordinary shares from top-up placing under general mandate in June 2019 amounted to approximately HK$1.92 million (after deducting the related cost and expenses). As at 31 December 2019, the Group has utilised all the net proceeds, details of which were set out as follows:

Net proceeds raised HK$'000	Intended use of the net proceeds	Actual use of the net proceeds	HK$'000
1,920	General working capital use of the Company.	Used as intended.	1,920

PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged the entire equity interest in Shenzhen Dong Sheng Hua Yu Commercial Management Company Limited* (深圳東勝華譽商業管理有限公司), an indirect wholly-owned subsidiary of the Company, and the entire issued share capital of Donghui Hong Kong Holdings Limited, an indirect wholly-owned subsidiary of the Company, to secure the issue of the perpetual convertible securities issued on 30 March 2016 in an aggregate principal amount of approximately HK$70.00 million (2018: approximately HK$170.00 million). Please refer to the Company's announcement dated 30 March 2016 and the Company's circular dated 29 January 2016 for details. In addition, the Group's bank loans were secured by the Group's lands and properties under development located in New Zealand, and guaranteed by the controlling shareholder of the Company, Mr. Shi and the Group's subsidiary in New Zealand.

MATERIAL CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no (2018: no) material contingent liabilities.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2019, the total number of employees of the Group was approximately 270 (2018: approximately 200). Staff costs (including Directors' emoluments) amounted to approximately HK$41.91 million was incurred for the Year (2018: approximately HK$29.68 million (restated)).

In addition to salary, other fringe benefits such as medical insurance and mandatory provident fund schemes for employees, are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment to their salaries comparable to that of the market. Individual employees may also receive a discretionary bonus at the end of each year based on their individual performance.

EVENTS AFTER THE REPORTING PERIOD

a. Notice of cancellation of seventh distribution payment of the unlisted perpetual convertible securities

Reference is made to the prospectus issued by the Company dated 29 September 2016 in relation to the open offer of offered shares with an alternative of unlisted perpetual convertible securities on the basis of one offered share for every five ordinary shares held on 28 September 2016.

As detailed in the Company's announcement dated 9 March 2020, notice is given that the seventh distribution at the distribution rate of 6% per annum on the perpetual convertible securities scheduled to be made to the convertible securities holders on Friday, 24 April 2020 had been cancelled in accordance with the Condition 4(B) of the terms and conditions of the perpetual convertible securities.

b. Disposal of 49% equity interest in China Comfort

Reference is made to the announcement of the Company dated 26 March 2020 in relation to, inter alia, the disposal of 49% equity interest in China Comfort, which constitutes a very substantial disposal of the Company.

Pursuant to an equity transfer agreement dated 26 March 2020 entered into between Shenzhen Dongsheng Huamei Cultural Travel Company Limited* (深圳東勝華美文化旅遊有限公司) ("Dongsheng Huamei"), an indirect wholly-owned subsidiary of the Company, and Orient Victory Cultural Tourism Group Co., Limited* (東勝文化旅遊集團有限公司) ("OVCT"), a company incorporated in the PRC and is owned as to 98% by Mr. Shi, Dongsheng Huamei agreed to dispose of 49% equity interest in China Comfort to OVCT for cash consideration of RMB320.00 million (equivalent to approximately HK$358.40 million). The principal activities of China Comfort and its subsidiaries are the provision of travel agent services in the PRC, including domestic travel, outbound travel and inbound travel, and provision of brand name for the franchisees. The conditions precedent (including the approval of the equity transfer agreement and the transactions contemplated thereunder by the independent shareholders of the Company) as set out in the equity transfer agreement have not been fulfilled as at the date of this Annual Report.

c. Impact of the coronavirus outbreak

The coronavirus outbreak since early 2020 has brought additional uncertainties to the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: negotiating with suppliers, service providers and customers to postpone selling tourism-related products and services, continuously monitoring the collection of trade receivables from customers and implementing comprehensive cost containment plans. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the coronavirus outbreak may cause decline in tourism-related sales as travelling is restricted and the business of some tourism attractions is suspended. Management of the Company consider that such impact is temporary and could be reduced as the Group's tourism-related operations are expected to be gradually resumed upon cessation of the coronavirus outbreak. Based on the information currently available, the management estimated that the coronavirus outbreak may impact the procurement willingness and payment abilities of certain small and medium-sized customers, mainly travel agents, and as a result, may lead to impairment losses on trade receivables and sales reduction from these customers in future periods. Such impact has not been reflected in the consolidated financial statements as at 31 December 2019.

Up to the date of this Annual Report, the Group is still in the process of assessing the impacts of the coronavirus outbreak on the performance of the relevant segments and is currently unable to estimate the quantitative impacts to the Group. The Group will pay close attention to the development of the coronavirus outbreak and continue to perform assessment of its impact and take relevant measures.

* denotes an English translation of the Chinese name for identification purpose only.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

MR. SHI BAODONG ("MR. SHI")

Chairman, Executive Director and Chief Executive Officer

Mr. Shi, aged 51, was appointed as the Chairman and executive Director in September 2014 and Chief Executive Officer on 11 May 2018. Mr. Shi is the chairman of the nomination committee of the Company (the "Nomination Committee") and a member of the remuneration committee of the Company (the "Remuneration Committee"). Mr. Shi graduated from the Hebei University of Architecture in 1989. He has over 19 years of experience in property development and he is a qualified engineer in the PRC.

Mr. Shi is the director of Orient Victory Group HK Holdings Limited* (東勝集團香港控股有限公司) and the founder, shareholder and chairman of Orient Victory Cultural Tourism Group Co., Limited* (東勝文化旅遊集團有限公司) (formerly known as Shijiazhuang Orient Victory Investments Group Limited* (石家莊市東勝投資集團有限公司)) ("OVCT"), which is principally engaged in property development, including the development of residential properties, commercial properties, properties and ancillary facilities for the elderly, as well as an ecological park and a culture park in the PRC. In October 2015, Mr. Shi was appointed as the president of China Comfort Tourism Group Company Ltd.* (中國康輝旅遊集團有限公司) (formerly known as China Comfort Travel Group Company Limited* (中國康輝旅行社集團有限責任公司)) ("China Comfort"), an associate of the Group, and is responsible for the overall management of China Comfort.

Mr. Shi is the vice chairman of the China Real Estate Industry Association and a consultant of its Special Committee for China Urban Development, Special Committee for Elderly Residential Area and Special Committee for China Small Town Development. Mr. Shi is the standing vice president of Hebei Chamber of Commerce in Hong Kong and the director of its Ecological Industry Committee. At the same time, he is the standing vice president of Hebei Chamber of Commerce and the vice president of Chinese Rowing Association.

MR. ZHAO HUINING ("MR. ZHAO")

Executive Director

Mr. Zhao, aged 52, was appointed an executive Director on 16 June 2017. Mr. Zhao was Chief Executive Officer and a member of the Remuneration Committee and the Nomination Committee and resigned on 11 May 2018 and 24 August 2018 respectively. Mr. Zhao graduated from the Transportation Management and Engineering Department (運輸管理工程系) of Northern Jiaotong University (北方交通大學), majoring in traffic and transportation (交通運輸專業) in 1990. In 2004, Mr. Zhao obtained a master degree of Arts from Flinders University of South Australia in International Relations in Economy and Trade which were jointly offered by Nankai University (南開大學) and Flinders University of South Australia and graduated from Yanshan University (燕山大學) with a doctor's degree in management science and engineering (管理科學與工程) in 2014. Mr. Zhao was conferred the title of senior economist qualification in PRC in 2002.

Mr. Zhao has extensive working experiences, including working as a staff member in Project Evaluation Division of Mechanical and Electrical Equipment Tendering Bureau of Hebei Province (河北省機電設備招標局項目評估處) from 1990 to 1992; staff member and senior staff member of the Traffic, Post and Telecommunications Division of Hebei Provincial Economic and Trade Commission (河北省經貿委交通郵電處) from 1992 to 1997; deputy director of Beijing office of Hebei Provincial Economic and Trade Commission (河北省經貿委北京辦事處) from 1997 to 1998; deputy director of Foreign Economic Relations Division of Hebei Provincial Economic and Trade Commission (河北省經貿委外經處) ("HPETC") from 1998 to 2000; deputy director of the office of HPETC and director of Beijing office of HPETC from 2000 to 2001 successively; legal representative, executive director and general manager of Hebei Economic and Trade Investment Co., Ltd. (河北省經濟貿易投資有限公司) from 2001 to 2005 successively; legal representative, executive director, general manager and secretary of Party Committee of Hebei Information Industry Investment Co., Ltd. (河北省信息產業投資有限公司) from 2005 to 2009 successively. He was elected as the vice chairman of the tenth session of the committee of Hebei Youth League (河北省青年聯合會) in December 2009. From 2009 to 2014, Mr. Zhao worked in Hebei Construction & Investment Group Co., Ltd (河北建設投資集團有限責任公司) with last position as chairman and secretary for the Party Committee. He was also the chairman and president of Gaokang Capital Investment Management Co., Ltd (高康資本投資管理有限公司), a subsidiary of China Energy Conservation and Environmental Protection Group (中國節能環保集團) from 2014 to 2016. Mr. Zhao is currently a director and the president of China Culture Industry Investment Fund Management Co., Ltd (中國旅遊文化產業投資基金管理公司), a subsidiary of the Group.

MR. MO YUEMING ("MR. MO")

Executive Director

Mr. Mo, aged 55, was appointed as an executive Director on 2 May 2018. Mr. Mo holds a degree of Executive Master of Business Administration from the HEC school of Management in Paris, France, a Master's degree in Business in economics (商業經濟學) from the Chinese Academy of Social Sciences (中國社會科學院) and a Bachelor's degree in Accounting from Beijing Institute of Business* (北京商學院).

Mr. Mo has over 20 years of experience in accounting and corporate management of the tourism industry and other industries, including working as the vice general manager and Chief Accountant of China Pan Travel Industry Development Co., Ltd.* (中國泛旅實業發展股份有限公司) (now known as China Spacesat Co., Ltd. (中國天地衛星股份有限公司) ("China Spacesat"), a company listed on the Shanghai Stock Exchange with stock code 600118 and Mr. Mo has been a director of China Spacesat since June 2001; Mr. Mo has been a director of Zhejiang Yongfeng Environmental Sci&tech Co., Ltd. (浙江永峰環保科技股份有限公司) ("Zhejiang Yongfeng"), a company listed on National Equities Exchange and Quotations with stock code 838806 since 23 February 2016 for a term from 23 February 2016 to 22 February 2019; and the senior vice president of Orient Landscape Holdings Co., Ltd.* (東方園林股份公司) and the Chief Operating Officer of Orient Brigade Group* (東方文旅集團) from 28 April 2017 to 27 November 2017. Besides, Mr. Mo was the president of Orient Victory Culture & Travel Group (東勝文化旅遊集團) that was controlled by Mr. Shi, and Comfort Cultural Tourism Industry Holdings Co., Ltd.* (康輝文化旅遊產業股份有限公司), of which China Comfort is the largest equity holder, from March 2018 to March 2019.

Mr. Mo currently serves as a co-vice Chairman of Orient Victory Group* (東勝集團) that was controlled by Mr. Shi and has been a director of China Comfort since April 2018, which is an associate of the Group.

MS. SONG SINING ("MS. SONG")

Non-executive Director

Ms. Song, aged 42, was appointed as a non-executive Director on 16 June 2017. Ms. Song is a member of the audit committee of the Company (the "Audit Committee"). Ms. Song graduated from the Philosophy Department (哲學系) of Hebei University in Public Relation (公關專業) in 1997. She graduated from the Correspondence College of the Central School of Communist Party of China (中央黨校函授學院) in 2000, majoring in economic management (經濟管理專業). She completed a practical training course in real estate (實戰型房地產研修班) provided by Peking University in 2015. Ms. Song served as a senior management in other real estate companies for more than 15 years. She is currently a vice president of Orient Victory Property Development Group Co., Limited (東勝房地產開發集團有限公司), a company indirectly wholly-owned by Mr. Shi.

MR. DONG XIAOJIE ("MR. DONG")

Independent non-executive Director

Mr. Dong, aged 57, was appointed as an independent non-executive Director in September 2014, Mr. Dong is the chairman of the Remuneration Committee. Mr. Dong graduated from the Hebei Normal University, majoring in mathematics in 1984. He has been a principal partner of Shengyuan Investment Risk Consulting Management Co., Limited since 2011 and was appointed as a director of Robyn Hode Capital Limited in April 2015.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. HE QI ("MR. HE")

Independent non-executive Director

Mr. He, aged 64, was appointed an independent non-executive Director in September 2014. Mr. He is a member of the Audit Committee and the Nomination Committee. Mr. He has been an independent non-executive director of China Merchants Land Limited, a company listed on The Stock Exchange of Hong Kong Limited ("HKEx") (stock code: 978), since 2013. He has also been an independent non-executive director of China Evergrande Group, a company listed on the HKEx (stock code: 3333), since 2009. Mr. He was the deputy secretary of China Real Estate Association for the period from 2006 to 2016. Mr. He is currently a secretary of Real Estate in Distribution and Rental Committee of China Real Estate Association.

MR. SUEI FENG-JIH ("MR. SUEI")

Independent non-executive Director

Mr. Suei, aged 51, was appointed as an independent non-executive Director on 25 June 2018. Mr. Suei is the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee. Mr. Suei graduated from National Cheng-Chi University (政治大學), Taiwan with a Bachelor degree of Science in Banking in June 1993. In June 2005, he was awarded the Executive Master of Business Administration in Finance from National Central University (中央大學), Taiwan and was further awarded the Master of Business Administration from University of Glasgow, the United Kingdom in September 2006.

Mr. Suei has extensive experience in finance industry. He is licensed to carry on type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO. From July 2019, he serves as a general manager of ZJKF Securities Investment (Hong Kong) Limited. Moreover. Mr. Suei was a director of ACF International Insurance Broker Co., Limited for the period from August 2016 to February 2019. During the period from November 2009 to April 2010, Mr. Suei was the Head of Product Team, of Wealth Management at Taishin International Bank Co., Ltd (Hong Kong). During the period from September 2010 to June 2019, Mr. Suei was a responsible officer of Pamirs Capital (H.K.) Limited and in charge of the supervision (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities. Before that, from April 2007 to November 2009, he worked for KGI Wealth Management Limited with his last position as a responsible officer for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Besides, Mr. Suei worked at the trust division of Taipei Fubon Bank as assistant vice president during the period from October 2001 to December 2006.

SENIOR MANAGEMENT

MR. LIU KIN WAI ("MR. LIU")

Chief Financial Officer

Mr. Liu, age 38, was appointed as the Chief Financial Officer of the Company in December 2019. Mr. Liu received his bachelor in Accounting from the City University of Hong Kong in November 2003, and completed China Environmental Industry Senior Manager Training Programme (中國環境產業高級經理人研修班) from Tsinghua University (清華大學) in December 2016. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2008. He has more than 15 years of experience in assurance services and financial and capital management work. From 2004 to 2015, he worked in an international assurance firm with last position as a senior manager. From May 2015 to September 2016, he served as a senior manager of Beijing Enterprises Water Group Limited (stock code: 371), a company listed on HKEx and from September 2016 to September 2019, he served as the chief financial officer and company secretary of Beijing Enterprises Clean Energy Group Limited (stock code: 1250), a company listed on HKEx.

* denotes an English translation of the Chinese name for identification purpose only.

REPORT OF THE DIRECTORS

The Board hereby presents the Report of the Directors and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

During the Year, the Company was an investment holding company and its subsidiaries were principally engaged in the businesses of the provision of diversified tourism products and services, the provision of integrated development, other investment holding, and the provision of financial services which was disposed of on 15 May 2019.

BUSINESS REVIEW

The business review of the Group for the Year as required under Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a review of the business and a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have been occurred since the end of financial year 2019 and an indication of likely future development in the Group's business are set out in the Chairman's Statement and the Management Discussion and Analysis from pages 4 to 6 and pages 7 to 19 of this Annual Report. These discussions form part of this report of directors.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 50 of this Annual Report.

DIVIDEND POLICY

The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the articles of association of the Company (the "Articles of Association").

Provided there are distributable profits and without affecting the operations of the Group, the Company may consider to declare and pay dividends to the shareholders of the Company. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, including but not limited to: (i) the general financial condition of the Group; (ii) working capital and debt level of the Group; (iii) future cash requirements and availability for business operations, business strategies and future development needs; (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders; (v) the general market conditions; and (vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles of Association.

The Board does not recommend the payment of any final dividend for the Year (2018: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 134 of this Annual Report.

INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

Details of movements in the investment properties and other property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 31(b) to the consolidated financial statements.

PERPETUAL CONVERTIBLE SECURITIES

Details of the perpetual convertible securities of the Company during the Year are set out in note 32 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

For the Year, save as disclosed in this Annual Report, the Company has not entered into any equity-linked agreement.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in the note 31(a) to the consolidated financial statements and on page 54 in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The aggregate amount of reserves available for distribution to equity shareholders of the Company as at 31 December 2019 amounted to approximately HK$239,335,000 (2018: approximately HK$257,364,000), calculated in accordance with the provisions of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the purchase from the Group's five largest suppliers accounted for approximately 85.59% of the total purchases and purchase from the largest supplier included therein accounted for approximately 45.87% of the total purchases. The revenue of the Group's five largest customers accounted for approximately 18.97% of the total revenue and the revenue of the largest customer included therein accounted for approximately 9.16% of the total revenue.

None of our Directors or any of their respective close associates or, any Shareholder (so far as our Directors were aware, who owned 5% or more of our issued share capital as at 31 December 2019), had any interest in any of our five largest suppliers or our five largest customers in 2018 and 2019.

DIRECTORS

The Directors during the Year and up to the date of this Annual Report were:

Executive Directors:

Mr. Shi Baodong *(Chairman and Chief Executive Officer)*
Mr. Mo Yueming
Mr. Zhao Huining

Non-executive Director:

Ms. Song Sining

Independent Non-executive Directors:

Mr. Dong Xiaojie
Mr. He Qi
Mr. Suei Feng-jih

In accordance with Articles 116 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if such number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years at the annual general meeting. The Company's forthcoming circular for annual general meeting will contain the detailed information of the Directors standing for re-election.

Biographical details of the Directors are set out on pages 20 to 22 of this Annual Report.

CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on HKEx (the "Listing Rules"), the changes of the information of the Directors are as follows:

(1) Mr. Mo ceased to act as a director of Zhejiang Yongfeng Environmental Sci&tech Co., Ltd. (浙江永峰環保科技股份有限公司) with effect from February 2019; and the president of Orient Victory Culture & Travel Group (東勝文化旅遊集團) and Comfort Cultural Tourism Industry Holdings Co., Ltd.* (康輝文化旅遊產業股份有限公司) with effect from March 2019.

(2) Mr. Suei ceased to act as a director of ACF International Insurance Broker Co., Limited with effect from February 2019; and a responsible officer of Pamirs Capital (H.K.) Limited with effect from June 2019. From July 2019, he serves as a general manager of ZJKF Securities Investment (Hong Kong) Limited.

Save as disclosed above, during the Year, there was no change to information which is required to be disclosed and has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

DIRECTORS' INDEMNITY

Pursuant to Article 179 of the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent since the date of their respective appointment date and as at the date of this Annual Report, the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

SHARE OPTION SCHEME

At the general meeting of the Company held on 5 June 2012, the shareholders approved the adoption of a new share option scheme (the "2012 Option Scheme") and became effective on 11 June 2012. No share option has been granted under the 2012 Option Scheme since its adoption.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this Annual Report, there was no contract of significance entered into between the Company or its holding companies or any of its subsidiaries and any controlling Shareholders or any of its subsidiaries for the Year.

For the Year, save as disclosed in this Annual Report, none of the Company or any of its subsidiaries has entered into any contract of significance for the provision of services by any controlling Shareholders or any of its subsidiaries.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this Annual Report, none of the Directors or entities connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, on the grounds of the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 9 and 10 respectively to the consolidated financial statements in this Annual Report.

For the Year, Mr. Shi Baodong and Mr. Zhao Huining agreed to waive their director's remuneration of HK$0.02 million and HK$2.80 million respectively (2018: Mr. Shi Baodong, Mr. Zhao Huining and Mr. Wang Jianhua (resigned with effect from 2 May 2018) agreed to waive their director's remuneration of HK$0.02 million, HK$1.98 million and HK$0.21 million respectively).

Save as disclosed above, during the Year, none of the Directors have waived their emoluments in relation to their services respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S LONG AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2019, the long and short positions of the Directors and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including long and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Name of director	Capacity	Number of shares held	Approximate percentage of shareholding (Note 3)
Shi Baodong ("Mr. Shi")	Interest in a controlled corporation	9,986,781,816 (Long Position) ("L") (Note 1)	77.28%
	Beneficial owner	130,239,145 (L) (Note 2)	1.01%
Dong Xiaojie	Beneficial owner	2,014,285 (L)	0.02%

Notes:

1. Mr. Shi holds 100% equity interest in Orient Victory Real Estate Group Holdings Limited ("OVRE") and is deemed to be interested in the 9,986,781,816 shares of the Company held by OVRE under the SFO. The interests include the holding of (i) 7,795,292,880 ordinary shares of the Company; (ii) the perpetual convertible securities issued in March 2016 (the "2016 March PCS") convertible into 128,771,155 shares of the Company; and (iii) the perpetual convertible securities issued in October 2016 (the "2016 October PCS") convertible into 2,062,717,781 shares of the Company.

2. Mr. Shi beneficially owns 130,239,145 ordinary shares of the Company as at 31 December 2019.

3. The approximate percentage was calculated based on 12,922,075,516 ordinary shares of the Company in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors and the Chief Executive has or is deemed to have any long or short position in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company to be kept under section 352 of the SFO, or as otherwise notified to the Company and the HKEx pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this Annual Report, at no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

As at 31 December 2019, to the best knowledge of the Directors, the following entities had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company and the HKEx under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of ordinary shares and underlying shares held (L): Long Position (S): Short Position	Approximate percentage of shareholding in the Company (Note 5)
OVRE[1]	Beneficial owner	9,986,781,816 (L)	77.28%
Outstanding Global Holdings Limited[2] ("OGH")	Beneficial Owner	436,375,000 (L)	3.38%
	Person having a security interest in shares of the Company	6,064,898,714 (L)	46.93%
Chance Talent Management Limited[3] ("CTM")	Person having a security interest in shares and perpetual convertible securities of the Company	6,193,669,868 (L)	47.93%
Haitong International Investment Fund SPC – Fund 1 SP[4] ("Haitong Fund")	Person having a security interest in shares and perpetual convertible securities of the Company	2,812,957,781 (L)	21.77%

Notes:

(1) OVRE is wholly-owned by Mr. Shi. The interests include the holding of (i) 7,795,292,880 ordinary shares of the Company; (ii) the 2016 March PCS convertible into 128,771,155 shares of the Company; and (iii) the 2016 October PCS convertible into 2,062,717,781 shares of the Company.

(2) OGH is wholly-owned by China Huarong International Holdings Limited which is wholly-owned by China Huarong Asset Management Co., Ltd. The 6,501,273,713 shares of the Company, in aggregate, comprise (i) 6,064,898,713 ordinary shares of the Company pledged by OVRE; and (ii) 436,375,000 ordinary shares of the Company beneficially held by OGH.

(3) CTM is a limited liability business company incorporated under the laws of the British Virgin Islands and an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is indirectly wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the HKEx (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939). The 6,193,669,868 shares of the Company, in aggregate, comprise (i) 6,064,898,713 ordinary shares of the Company pledged by OVRE; and (ii) the 2016 March PCS convertible into 128,771,155 shares of the Company pledged by OVRE to CTM.

(4) Haitong Fund is an open-ended exempted segregated portfolio company. The 2,812,957,781 shares of the Company held by Haitong Fund comprise (i) 784,240,000 ordinary shares of the Company pledged by OVRE; and (ii) the 2016 October PCS convertible into 2,028,717,781 shares of the Company pledged by OVRE to Haitong Fund.

(5) The approximate percentage was calculated based on 12,922,075,516 ordinary shares of the Company in issue as at 31 December 2019.

Save as those disclosed above, as at 31 December 2019, the Directors and the chief executives of the Company are not aware of any other person or corporation having an interest or short positions in the Shares or underlying Shares which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

During the Year and up to the date of this Annual Report, the following Director(s) is/are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Director(s) of the Company was/were appointed as directors or represent the interests of the Company and/or the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of entity which were considered to compete or likely to compete with the business of the Group	Description of competing business	Nature of interest
Mr. Shi Baodong	Orient Victory Group HK Holdings Limited 東勝集團香港控股有限公司 ("OVHK")	Real Estate/ Property Development	Sole Director and Sole Shareholder
	Orient Victory Property Development Group Co., Ltd.* (東勝房地產開發集團有限公司) ("OVPD")	Real Estate/ Property Development	Sole Shareholder

As (i) Mr. Shi is fully aware of his fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest; (ii) the Group engages only in travel-related property development projects which are located in the countryside while OVHK and OVPD engage in property development projects other than travel-related property development projects which are located in urban areas; and (iii) the Group have the first right of refusal on accepting the travel-related property development projects, the Group is capable of carrying its business independently of and at arm's length from the businesses of these entities.

Save as disclosed in this Annual Report, as at 31 December 2019, none of the Directors or any of their respective close associates had engaged in or had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Connected Transaction

During the Year, the Group had the following connected transaction which was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules:

Disposal of OVIF

Reference is made to the announcement of the Company dated 18 April 2019 in relation to the disposal of 100% equity interest in OVIF. Pursuant to an agreement dated 18 April 2019 entered into between Broad Vantage, an indirect wholly-owned subsidiary of the Company, and Mr. Shi, Broad Vantage transferred 100% equity interest in OVIF to Mr. Shi for cash consideration of HK$15.90 million. Completion of the disposal of 100% equity interest in OVIF took place on 15 May 2019 in accordance with the terms and conditions of the agreement.

As Mr. Shi is the chairman, the chief executive officer and an executive Director as well as a controlling shareholder of the Company, Mr. Shi is a connected person of the Company. Accordingly, the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transaction exceed 0.1% but are all less than 5%, the transaction was subject to reporting and announcement requirements under Chapter 14A of the Listing Rules but was exempt from circular and independent Shareholders' approval requirements.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transactions which were subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules:

(a) Service Agreement

On 20 September 2019 (after trading hours), Four Seas Tours Limited (四海旅行社有限公司) ("Four Seas"), an indirect non-wholly owned subsidiary of the Company, and HK Four Seas Tours Limited (香港四海旅行社有限公司) ("HK Four Seas") renewed the service agreement (the "4th Service Agreement") which had expired on 3 September 2019 by entering into the renewed service agreement (the "Renewed Service Agreement") for a term of one year from 4 September 2019 to 3 September 2020 (both dates inclusive). Pursuant to the Renewed Service Agreement, HK Four Seas shall continue to grant a licence to Four Seas for the use of trademarks owned by HK Four Seas and HK Four Seas shall at cost sell to Four Seas air tickets which are purchased from the International Air Transport Association and such other agencies. Four Seas has agreed that it shall purchase a minimum of 6,600 air tickets from HK Four Seas every 3 months during the term (the "Minimum Air Tickets") and the average minimum purchase price of each of the Minimum Air Tickets shall be HK$3,400 (collectively the "Services").

As Four Seas is owned as to 35% by Four Seas Travel (BVI) Limited ("Four Seas BVI") and HK Four Seas is a wholly-owned subsidiary of Four Seas BVI, HK Four Seas is a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Renewed Service Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules and according to Rule 14A.101 of the Listing Rules, the continuing connected transactions contemplated under the Renewed Service Agreement are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements. For details, please refer to the announcement of the Company dated 20 September 2019.

For the Services, the Company has set annual caps in the sum of HK$87.87 million for the period from 4 September 2019 to 31 December 2019 and HK$173.27 million for the period from 1 January 2020 to 3 September 2020. The aggregated transactions amount with Four Seas under the 4th Service Agreement for the period from 1 January 2019 to 3 September 2019 amounted to approximately HK$134.73 million and the aggregated transactions amount with Four Seas under the Renewed Service Agreement for the period from 4 September 2019 to 31 December 2019 amounted to approximately HK$60.27 million. The Company confirms that the aggregated transactions amount with HK Four Seas for the Year had not exceeded the annual caps for the Year.

The Company confirms further that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

(b) Event Planning Framework Agreement

Reference is made to the circular of the Company dated 10 January 2020. On 28 November 2019, the Company and OVPD entered into an event planning framework agreement (the "Event Planning Framework Agreement"). Pursuant to which, OVPD agreed to appoint the Company or its subsidiaries as its exclusive agent for the provision of event planning and all-round event production services in connection with its real estate development business in the PRC for the period from 28 November 2019 to 30 September 2022.

As OVPD is wholly-owned by Mr. Shi, the chairman, the chief executive officer and an executive Director, OVPD is an associate of Mr. Shi and thus a connected person of the Company. Therefore, the Event Planning Framework Agreement and the transactions contemplated thereunder (the "Event Planning") constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) in respect of the maximum amount of the annual caps is more than 5% and exceed HK$10 million, the Event Planning is subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The extraordinary general meeting of the Company for the approval of the Event Planning (the "EGM") was held on 31 January 2020 and the Event Planning with annual caps at RMB9.48 million (equivalent to approximately HK$10.56 million) for the period from 28 November 2019 to 31 December 2019, RMB35.82 million (equivalent to approximately HK$39.89 million) and RMB26.05 million (equivalent to approximately HK$29.01 million) for the years ended 31 December 2020 and 2021 respectively and RMB17.11 million (equivalent to approximately HK$19.06 million) for the 9-month ended 30 September 2022 were approved at the EGM.

The aggregated transactions amount (including value added tax) with OVPD under the Event Planning Framework Agreement for the period from 28 November 2019 to 31 December 2019 amounted to RMB8.92 million (equivalent to approximately HK$10.11 million). The Company confirms that the aggregated transactions amount (including value added tax) with OVPD under the Event Planning Framework Agreement for the Year had not exceeded the annual cap for the Year.

The Company confirms further that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Confirmations from the independent non-executive Directors and auditors of the Company

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and other fully exempted continuing connected transaction(s) during the Year and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

KPMG, the auditor of the Company (the "Auditor"), was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the HKEx.

The Directors confirm that, save as disclosed above, none of the related party transactions set out in note 35(b) to the consolidated financial statements constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules that is required to be disclosed. Save as disclosed in note 35(b) to the consolidated financial statements, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules during the Year.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises two independent non-executive Directors, namely Mr. Suei Feng-jih (being the chairman of the Audit Committee) and Mr. He Qi and a non-executive Director, namely Ms. Song Sining.

The Group's annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report on pages 35 to 42 of this Annual Report, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Year. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 35 to 42 of this Annual Report.

SIGNIFICANT LEGAL PROCEEDINGS

During the Year, the Company had not involved in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the HKEx and permitted under the Listing Rules, are held by the public at all times as of the date of this Annual Report.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in the "Events after the Reporting Period" under the section headed "Management Discussion and Analysis" of this Annual Report.

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

During the Year, the Company did not redeem any of its Shares listed on the HKEx nor did the Company or any of its subsidiaries purchase or sell any such shares.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the Year have been audited by KPMG who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the Year were approved by the Board on 31 March 2020.

On behalf of the Board

Shi Baodong
Chairman

Hong Kong, 31 March 2020

* denotes an English translation of the Chinese name for identification purpose only.

CORPORATE GOVERNANCE REPORT

The Company is committed to establishing good corporate governance practices and procedures. The corporate governance principles of the Company emphasise accountability and transparency to its Shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements. After reviewing the effectiveness of the risk management and internal control systems during the Year, the Company considered them effective and adequate.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2019, the Board consisted of seven Directors, including the Chairman, Mr. Shi Baodong, who is also the Chief Executive Officer and an executive Director, two additional executive Directors, a non-executive Director and three independent non-executive Directors. Not less than one-third of the Board are independent non-executive Directors. A list of Directors and their respective biographies is set out on pages 20 to 22 of this Annual Report.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience which is appropriate to the requirement of the business of the Group. A balanced composition of executive Directors and non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the Listing Rules in having at least one of the independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise.

The appointment of Directors is recommended by the Nomination Committee and approved by the Board based on a formal written procedure and a policy of the appointment of new Director(s). Skills, experience, expertise, devotion of time and conflicts of interests are the key factors of selecting potential candidates for Director(s). All the current non-executive Directors and independent non-executive Directors were appointed for a term of three years. All Directors (including non-executive and independent non-executive Directors) are subject to retirement by rotation at least once every three years in accordance with the Articles of Association.

The Board has adopted a policy on board diversity. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered based on objective criteria, having due regard for the benefits of diversity on the Board.

The Board is collectively responsible for the formulation of the Group's strategy and overseeing the management of the business and affairs of the Group. The Board delegates the day-to-day management, administration and operations of the Group's business to the management of the relevant segments and divisions. The management is responsible for the implementation and adoption of the Company's strategies and policies. The delegated functions and tasks are periodically reviewed by the Board.

Every newly appointed Director is provided with an induction on the first occasion of his/her appointment to ensure that he/she has adequate understanding of the businesses and operations of the Group. The Directors are also kept informed on a timely basis of their responsibilities and obligations under the Listing Rules, as well as other relevant statutory or regulatory requirements. The Company also encourages its Directors to participate in continuous professional development programmes.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda of regular meetings. With the assistance of the executive Directors, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Board held fifteen meetings in the Year:

	Attendance (Number of Meetings attended/ Eligible to attend)
Executive Directors	
Mr. Shi Baodong	14/15
Mr. Mo Yueming	13/15
Mr. Zhao Huining	9/15
Non-executive Directors	
Ms. Song Sining	15/15
Independent Non-executive Directors	
Mr. Dong Xiaojie	11/15
Mr. He Qi	12/15
Mr. Suei Feng-jih	13/15

Notices of at least fourteen days are given to the Directors for regular meetings, while relevant documents are sent to the Directors not less than three days before the intended date of a board or board committee meeting. With respect to other meetings, the Directors are given as much notices as reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association. The company secretary of the Company (the "Company Secretary") ensures that the procedures are complied with all applicable rules and regulations. Minutes of board meetings and board committees meetings are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

The Directors have full access to information of the Group and are able to obtain independent professional advices whenever they deem necessary. Memorandums are issued to the Directors from time to time to update them with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the CG Code throughout the Year except for a deviation from code provisions A.2.1 and A.6.7 of CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Despite the responsibilities of the chairman and the chief executive officer of the Company vested in Mr. Shi Baodong during the Year, all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power; and the current corporate arrangement maintains a strong management position of the Company. Save as the deviation from the code provision A.2.1 of the CG Code, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code during the Year and, where appropriate, the applicable recommended best practices of the CG Code.

The code provision A.6.7 of the CG Code requires that the independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Dong Xiaojie was unable to attend the annual general meeting of the Company held on 28 June 2019 due to other important engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealings in securities of the Company by the Directors.

Specific enquiries have been made with all the Directors, who have confirmed that they complied with the required standards as set out in the Model Code throughout the Year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective risk management and internal control systems of the Group and has established the Group's internal control policies and procedures for monitoring the internal control systems. Such systems are designated to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the Shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of the Listing Rules, a team, comprising qualified accountants and management of the Company, has been organised to carry out the internal audit function of the Company (the "IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans periodically and ensures the audit programs cover key internal control areas of key operating subsidiaries for the review by the Audit Committee at regular intervals. The scopes and timing of audit reviews are usually determined according to risk assessment.

Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the members of the Audit Committee.

The Audit Committee reviews the findings and recommendations of the internal audit department and the senior management in their meetings held at least twice a year and reports to the Board on such review. In respect of the Year, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The Group will ensure that inside information will be disclosed to the public through public announcements and its website as soon as reasonably practicable pursuant to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012. Besides, all inside information will be kept strictly confidential before disclosing to the public and only the relevant persons such as Directors, the Company Secretary and professional advisors will have access to such information.

The Board believes that there are no material internal controls deficiencies that may affect the Shareholders and an effective and adequate risk management and internal control system are in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group and ensure that the preparation of the consolidated financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditor's reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 43 to 49 of this Annual Report.

AUDITORS' REMUNERATION

The Group's consolidated financial statements for the Year was audited by KPMG, of which the term of office as Auditor of the Company will expire at the forthcoming annual general meeting, and for which it's eligible to offer themselves for re-appointment.

For the Year, the remuneration paid or payable to KPMG in respect of audit services and non-audit services is of approximately HK$4.20 million and HK$0.25 million respectively. Details are set out below:

	HK$'000
Audit services	
– statutory annual audit	4,198
Non-audit services	
– other non-audit service	249
	4,447

COMPANY SECRETARY

Mr. Ip Pui Sum ("Mr. Ip"), the Company Secretary, is an external service provider to the Company and a Certified Public Accountant practicing in Hong Kong. He has taken no less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS AND SENIOR MANAGEMENT

The Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

Apart from updates on regulatory changes and governance developments provided by the Company, the Directors are encouraged to participate in professional trainings and seminars to develop and refresh their knowledge and skill. During the Year, training had been provided by external professional parties. Further, the Company has continuously provided reading materials and other updated information regarding latest development of the Listing Rules and other applicable regulations to Directors for their reference and study.

The Company encourages the senior management to improve their professional knowledge by attending the external seminars and participating in the internal trainings provided by the Company.

AUDIT COMMITTEE

For the Year, the Audit Committee consists of two independent non-executive Directors, namely Mr. Suei Feng-jih (being the chairman of the Audit Committee) and Mr. He Qi, and a non-executive Director, namely, Ms. Song Sining.

The principal duties of the Audit Committee, in accordance with its terms of reference, are substantially the same as those under the CG Code, including review of the Group's financial reporting system and internal control procedures, review of financial information of the Group, review of interim and annual results of the Group, (unless expressly addressed by a separate risk committee or the Board itself) review of the risk management and internal control systems, the effectiveness of the Company's internal audit function, and other duties under the CG Code, and review of the relationship with the Auditor.

The Audit Committee was also delegated by the Board to be responsible for performing the corporate governance duties under the CG Code, which includes developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices being in compliance with the legal and regulatory requirements, and reviewing the Company's compliance with the CG Code.

The Audit Committee held two meetings in the Year in which representatives of the management were present to review the interim and annual results, the interim report and annual report and other financial, internal control and corporate governance matters. The Auditor was present in one of the meetings.

Audit Committee	**Attendance (Number of Meetings attended/ Eligible to attend)**
Mr. Suei Feng-jih *(Chairman)*	2/2
Mr. He Qi	2/2
Ms. Song Sining	2/2

REMUNERATION COMMITTEE

The Remuneration Committee performs the remuneration function under the CG Code. The Remuneration Committee consists of one executive Director, namely Mr. Shi Baodong, and two independent non-executive Directors, namely Mr. Dong Xiaojie (chairman of the Remuneration Committee) and Mr. Suei Feng-jih.

The principal duties of the Remuneration Committee, in accordance with its terms of reference, are substantially the same as those under the CG Code, which include determining the policy for the remuneration of executive Directors, assessing performance of executive Directors, approving the terms of executive Directors' service contracts, and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee held one meeting in the Year and the attendance record is set out below:

Remuneration Committee	**Attendance (Number of Meetings attended/ Eligible to attend)**
Mr. Dong Xiaojie *(Chairman)*	1/1
Mr. Shi Baodong	1/1
Mr. Suei Feng-jih	1/1

The Remuneration Committee reviewed the policies for the remuneration of executive Directors and senior management, including basic salaries, discretionary performance bonus and other emoluments, based on skills, knowledge, involvement in the Company's affairs and performance of the individual executive Director and senior management with reference to the Company's performance and profitability, as well as industry practice.

NOMINATION COMMITTEE

The Nomination Committee performs the nomination function under the CG Code. The Nomination Committee consists of one executive Director, namely Mr. Shi Baodong (chairman of the Nomination Committee), and two independent non-executive Directors, namely Mr. He Qi and Mr. Suei Feng-jih.

The principal duties of the Nomination Committee, in accordance with its terms of reference, are substantially the same as those under the CG Code, which include reviewing the structure and composition of the Board, identification of suitably qualified Board candidates, and determining the policy for the nomination of Directors.

The Nomination Committee held one meeting in the Year and the attendance record is set out below:

Nomination Committee	Attendance (Number of Meetings attended/ Eligible to attend)
Mr. Shi Baodong *(Chairman)*	1/1
Mr. He Qi	1/1
Mr. Suei Feng-jih	1/1

The Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of independent non-executive Directors and made recommendations to the Board on the appointment and reappointment of the Directors.

Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

SHAREHOLDERS' RIGHTS

Information is communicated to the Shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meeting and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the Shareholders in a timely manner and are available on the website of the Company. The Company's website provides Shareholders with the corporate information of the Group.

CORPORATE GOVERNANCE REPORT

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the branch share registrar of the Company, in case of enquiries about their respective shareholdings in the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's registered office in Hong Kong at 7/F, Winbase Centre, 208 Queen's Road Central, Sheung Wan, Hong Kong. Shareholders may also send such enquiries and concerns to ovchina@orientvictory.com.cn, an email specifically set up by the Company for investor communications.

Annual general meeting of the Company ("AGM(s)") allows the Directors to meet and communicate with Shareholders. The Company ensures that Shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee, the Remuneration Committee and the Nomination Committee and the external auditor also attend the AGMs to answer questions from Shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. Notices of AGMs are distributed to all Shareholders at least 20 clear business days prior to the respective AGMs. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on the Company's website on the day of the AGM.

The Articles of Association set out the procedures for the Shareholders to convene general meetings, move a resolution at general meetings and propose a person for election as a Director, which are available at the Company's corporate website http://www.orientvictory.com.hk.

Extraordinary general meetings of the Company ("EGM(s)") shall be convened on the requisition of any one Shareholder, who is a recognised clearing house (or its nominee), or any two or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 3 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed with convening such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Independent auditor's report to the shareholders of Orient Victory Travel Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Orient Victory Travel Group Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 50 to 133, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

Key audit matters *(continued)*

Equity accounting for the Group's interest in China Comfort	
Refer to Note 17(a) to the consolidated financial statements and the accounting policies in Notes 2(e) and 2(k)(ii).	
The Key Audit Matter	**How the matter was addressed in our audit**
One of the Group's interests in associates relates to its 49% equity interest in China Comfort Tourism Group Company Limited ("China Comfort"), a group which operates in the travel market in the People's Republic of China (the "PRC") and was acquired by the Group in 2015. In order to apply the equity method of accounting, it is necessary at the time of acquisition of the interest in an associate to ascertain the fair values of that associate's identifiable net assets, by adopting the same concepts and procedures as are used at the time of acquisition of a subsidiary. In the case of the acquisition of the equity interest in China Comfort, the Group concluded that the identifiable net assets of China Comfort mainly comprised intangible assets with indefinite useful lives which represent China Comfort's trademark and distribution network. As these intangible assets are not recognised at fair value by China Comfort, the Group applies accounting policies consistent with the Group's policies in order to identify whether any adjustments need to be made by the Group on an ongoing basis when applying the equity method to measure the Group's share of China Comfort's profit/loss after acquisition. This includes assessing the intangible assets with indefinite useful lives for impairment on an annual basis and whenever there is any indication of impairment.	Our audit procedures to assess the impairment for the Group's interest in China Comfort included the following: • evaluating management's identification of the CGU and the assets allocated to the CGU and assessing the methodology adopted by management of the Group in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards; • challenging the discounted cash flow forecast prepared by management of the Group by comparing data therein with the relevant data, including forecast revenue, cost of sales and other operating expenses, contained in the financial budget of China Comfort which was approved by management of China Comfort, and taking into account our understanding, experience and knowledge of the travel industry in the PRC and the future business plans for China Comfort;

Key audit matters *(continued)*

Equity accounting for the Group's interest in China Comfort (continued)	
Refer to Note 17(a) to the consolidated financial statements and the accounting policies in Notes 2(e) and 2(k)(ii).	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2019, management of the Group performed an impairment assessment of the intangible assets of China Comfort when applying the equity method of accounting in respect of the Group's interest in China Comfort. Management of the Group concluded that the business of China Comfort as a whole comprises a single cash-generating unit (the "CGU") and the recoverable amounts of the intangible assets were determined based on a value in use calculation by preparing a discounted cash flow forecast for the operations of China Comfort. We identified equity accounting for the Group's interest in China Comfort as a key audit matter because the assessment of potential impairment of the intangible assets of China Comfort could have a significant impact on the Group's share of net assets of China Comfort and because the assessment of potential impairment of China Comfort's intangible assets is based on a discounted cash flow forecast which includes a number of assumptions and estimates, particularly in relation to forecast revenue, cost of sales and other operating expenses, the long-term growth rate for the travel industry and the discount rate applied, all of which require the exercise of significant judgement and could be subject to management bias.	• comparing the actual results of the current year with management's assumptions and estimates in the discounted cash flow forecast for the previous year to assess the historical accuracy of the management's forecasting process; • comparing the long-term growth rate for the travel industry with external market data and, with the assistance of our internal valuation specialists, evaluating the discount rate applied in the discounted cash flow forecast by comparing it with those of comparable companies in the same industry; and • obtaining from management of the Group sensitivity analyses of the key assumptions adopted in the discounted cash flow forecast, assessing the impact of changes in the long-term growth rate for the travel industry and the discount rate applied on the conclusions reached in the impairment assessment and considering whether there were any indicators of management bias in the selection of key assumptions.

Key audit matters *(continued)*

Valuation of investment properties under development

Refer to Note 13 to the consolidated financial statements and the accounting policies in Note 2(g).

The Key Audit Matter	How the matter was addressed in our audit
The Group held investment properties under development, representing land under development, with a total carrying amount of HK$159,358,000 as at 31 December 2019, which accounted for 13.38% of the Group's total assets as at that date. The net changes in fair value of investment properties under development recorded in the consolidated statement of profit or loss for the year ended 31 December 2019 amounted to HK$28,025,000. The related investment properties under development are located in Hebei Province in Mainland China and Auckland in New Zealand, for the purposes of developing service apartments, parking space, and townhouse for long-term lease business. The fair values of investment properties under development as at 31 December 2019 were assessed by the board of directors primarily based on independent valuations prepared by qualified external property valuers based on market prices for comparable lands in similar location and condition. We identified the valuation of investment properties under development as a key audit matter because of their significance to the Group's consolidated financial statements and because the determination of the fair values involves significant degree of judgement and may be subject to management bias.	Our audit procedures to assess the investment properties under development included the following: • obtaining and inspecting the valuation reports prepared by the external property valuers on which the management's assessment of the fair values of investment properties under development was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; • with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology and assessing the key estimates and assumptions adopted in the valuations by comparing comparable market transactions with the available market data and by utilising the industry knowledge and experience of our internal property valuation specialists.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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 the directors for the consolidated financial statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities 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, 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 scepticism throughout the audit. We also:

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheung Tsz Chung.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019
(Expressed in Hong Kong dollars ("HK$"))

	Note	2019 $'000	2018 $'000 (Restated) (Note)
Continuing operations:			
Revenue	4	475,999	248,342
Cost of sales and services		(426,874)	(230,554)
Gross profit		49,125	17,788
Other income	5	1,707	5,375
Selling, general and administrative expenses		(79,273)	(60,735)
Share of losses of associates	17	(10,974)	(17,314)
Valuation gains on investment properties	13	28,025	–
Loss from operations		(11,390)	(54,886)
Finance costs	6(a)	(5,971)	(2,174)
Loss before taxation	6	(17,361)	(57,060)
Income tax	7	(5,558)	–
Loss for the year from continuing operations		(22,919)	(57,060)
Discontinued operations:			
Loss for the year from discontinued operations	8	(1,063)	(833)
Loss for the year		(23,982)	(57,893)
Attributable to:			
Equity owners of the Company			
– continuing operations		(33,034)	(55,564)
– discontinued operations		(1,063)	(514)
		(34,097)	(56,078)
Non-controlling interests			
– continuing operations		10,115	(1,496)
– discontinued operations		–	(319)
		10,115	(1,815)
Loss for the year		(23,982)	(57,893)
Basic and diluted loss per share	12	(HK0.38 cents)	(HK0.64 cents)

Note: The restatement of comparative information is attributable to the discontinued operations as disclosed in Note 8. The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

The notes on pages 58 to 133 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019
(Expressed in HK$)

	2019 $'000	2018 $'000 (Restated) (Note)
Loss for the year	(23,982)	(57,893)
Other comprehensive income for the year (after tax)		
Items that may be reclassified subsequently to profit or loss:		
– exchange differences on translation of financial statements of foreign operations	(16,316)	(22,951)
– exchange reserve recycled to profit or loss upon disposal of subsidiaries	–	(908)
	(16,316)	(23,859)
Total comprehensive income for the year	(40,298)	(81,752)
Attributable to:		
Equity owners of the Company		
– continuing operations	(47,793)	(78,258)
– discontinued operations	(1,063)	(1,572)
	(48,856)	(79,830)
Non-controlling interests		
– continuing operations	8,558	(1,484)
– discontinued operations	–	(438)
	8,558	(1,922)
Total comprehensive income for the year	(40,298)	(81,752)

Note: The restatement of comparative information is attributable to the discontinued operations as disclosed in Note 8. The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

The notes on pages 58 to 133 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019
(Expressed in HK$)

	Note	2019 $'000	2018 $'000 (Note)
Non-current assets			
Investment properties	13	159,358	–
Other property, plant and equipment	13	132,170	103,576
		291,528	103,576
Lease prepayments		–	27,684
Intangible assets	14	7,813	18,128
Goodwill	15	15,298	12,994
Interests in associates	17	343,518	391,253
Other financial assets	18	–	71,063
Deferred tax assets	30	2,396	–
		660,553	624,698
Current assets			
Inventories	19	193,362	69,986
Trade receivables	20	53,875	25,578
Prepayments, deposits and other receivables	21	162,205	81,680
Restricted bank deposits	22	3,123	11,794
Cash and cash equivalents	23	117,807	188,873
		530,372	377,911
Current liabilities			
Trade payables	24	40,338	26,701
Contract liabilities	25	15,229	1,223
Other payables and accruals	26	278,177	170,209
Short-term borrowings	27	17,935	13,226
Lease liabilities	28	3,918	–
Provisions	33(b)	976	–
		356,573	211,359
Net current assets		173,799	166,552
Total assets less current liabilities		834,352	791,250
Non-current liabilities			
Long-term borrowings	27	109,387	–
Lease liabilities	28	1,907	–
Deferred tax liabilities	30	13,429	6,790
Provisions	33(b)	3,467	–
		128,190	6,790
NET ASSETS		706,162	784,460

The notes on pages 58 to 133 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019
(Expressed in HK$)

	Note	2019 $'000	2018 $'000 (Note)
CAPITAL AND RESERVES	31		
Share capital		**64,610**	63,750
Perpetual convertible securities	32	**296,274**	396,274
Reserves		**245,707**	283,576
Total equity attributable to equity owners of the Company		**606,591**	743,600
Non-controlling interests		**99,571**	40,860
TOTAL EQUITY		**706,162**	784,460

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

Approved and authorised for issue by the board of directors on 31 March 2020.

Shi Baodong
Chairman

Mo Yueming
Director

The notes on pages 58 to 133 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019
(Expressed in HK$)

		Attributable to equity owners of the Company								
	Note	Share capital $'000 Note 31(b)	Share premium $'000 Note 31(c)	Perpetual convertible securities $'000 Note 32	PRC statutory reserves $'000	Exchange reserve $'000 Note 31(d)	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2018		63,745	611,083	396,402	683	3,721	(226,126)	849,508	6,506	856,014
Changes in equity for 2018:										
Loss for the year		–	–	–	–	–	(56,078)	(56,078)	(1,815)	(57,893)
Other comprehensive income		–	–	–	–	(23,752)	–	(23,752)	(107)	(23,859)
Total comprehensive income		–	–	–	–	(23,752)	(56,078)	(79,830)	(1,922)	(81,752)
Contributions from non-controlling shareholders		–	–	–	–	–	–	–	4,900	4,900
Acquisitions of subsidiaries		–	–	–	–	–	–	–	33,222	33,222
Distributions to holders of perpetual convertible securities	32	–	–	–	–	–	(26,078)	(26,078)	–	(26,078)
Issuance of shares upon conversion of perpetual convertible securities	31(b)	5	123	(128)	–	–	–	–	–	–
Disposal of discontinued operation		–	–	–	(683)	–	683	–	(1,846)	(1,846)
		5	123	(128)	(683)	–	(25,395)	(26,078)	36,276	10,198
Balance at 31 December 2018		63,750	611,206	396,274	–	(20,031)	(307,599)	743,600	40,860	784,460

The notes on pages 58 to 133 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019
(Expressed in HK$)

	Note	Attributable to equity owners of the Company							
		Share capital $'000 Note 31(b)	Share premium $'000 Note 31(c)	Perpetual convertible securities $'000 Note 32	Exchange reserve $'000 Note 31(d)	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019 (as previously reported) (Note)		63,750	611,206	396,274	(20,031)	(307,599)	743,600	40,860	784,460
Changes in equity for 2019:									
Loss for the year		–	–	–	–	(34,097)	(34,097)	10,115	(23,982)
Other comprehensive income		–	–	–	(14,759)	–	(14,759)	(1,557)	(16,316)
Total comprehensive income		–	–	–	(14,759)	(34,097)	(48,856)	8,558	(40,298)
Acquisitions of subsidiaries	33	–	–	–	–	–	–	50,153	50,153
Distributions to holders of perpetual convertible securities	32	–	–	–	–	(13,037)	(13,037)	–	(13,037)
Issuance of new shares	31(b)	860	23,850	–	–	–	24,710	–	24,710
Equity-settled share-based transactions	29	–	174	–	–	–	174	–	174
Redemption of perpetual convertible securities	32	–	–	(100,000)	–	–	(100,000)	–	(100,000)
		860	24,024	(100,000)	–	(13,037)	(88,153)	50,153	(38,000)
Balance at 31 December 2019		64,610	635,230	296,274	(34,790)	(354,733)	606,591	99,571	706,162

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The notes on pages 58 to 133 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019
(Expressed in HK$)

	Note	2019 $'000	2018 $'000 (Note)
Operating activities			
Loss before taxation:			
– continuing operations		(17,361)	(57,060)
– discontinued operations		(1,063)	(833)
		(18,424)	(57,893)
Adjustments for:			
Depreciation and amortisation	13, 14	8,076	703
Loss on disposal of property, plant and equipment, net	4, 13	–	17
Interest income	5, 8	(1,707)	(5,405)
Finance costs	6(a), 8	5,971	2,569
Share of losses of associates	17	10,974	17,314
Gain on disposal of discontinued operations	8	(179)	(2,846)
Gain on disposal of a subsidiary		–	(492)
Equity-settled share-based payment expenses	29	174	–
Valuation gains on investment properties		(28,025)	–
Changes in working capital:			
Increase in inventories		(132,009)	(7,155)
(Increase)/decrease in trade receivables		(28,871)	2,447
Decrease/(increase) in prepayments, deposits and other receivables		91,698	(8,350)
Increase/(decrease) in trade payables		13,696	(6,624)
Increase in contract liabilities		14,006	1,223
(Decrease)/increase in other payables and accruals		(30,205)	38,863
Net cash used in operating activities		(94,825)	(25,629)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and there is no impact to the opening balances at 1 January 2019 relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of $6,369,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see Note 23(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in Note 2(c).

The notes on pages 58 to 133 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019
(Expressed in HK$)

	Note	2019 $'000	2018 $'000 (Note)
Investing activities			
Payments for the purchase of property, plant and equipment		(8,464)	(286)
Payments for the purchase of intangible assets	14	(19)	(107)
Net cash acquired from/(net cash paid for) the acquisition of subsidiaries	26, 33	23,321	(9,376)
Payment for investment in an associate	17(b)	–	(20,583)
Loans to associates	18, 21	–	(143,850)
Refund of prepayments for acquisition		–	2,416
Net proceeds from disposal of discontinued operation, net of cash disposal of	8(c)	13,715	2,345
Net decrease in restricted bank deposits		8,671	31,654
Interest received		929	5,006
Net cash generated from/(used in) investing activities		38,153	(132,781)
Financing activities			
Proceeds from bank and other borrowings	23(b)	20,673	13,226
Repayment of bank and other borrowings	23(b)	(16,171)	(1,275)
Advances from related parties		75,456	–
Distributions paid to holders of perpetual convertible securities	23(b)	(13,037)	(26,078)
Contributions from non-controlling interests	23(b)	–	4,900
Capital element of lease rentals paid	23(b)	(3,314)	–
Interest element of lease rentals paid	23(b)	(223)	–
Interest paid	23(b)	(587)	(460)
Net proceeds from issuance of new shares	31(b)	24,710	–
Payment for redemption of perpetual convertible securities	32	(100,000)	–
Net cash used in financing activities		(12,493)	(9,687)
Net decrease in cash and cash equivalents		(69,165)	(168,097)
Cash and cash equivalents at 1 January	23	188,873	357,696
Effect of foreign exchange rate changes		(1,901)	(726)
Cash and cash equivalents at 31 December	23	117,807	188,873

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The notes on pages 58 to 133 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in HK$ unless otherwise indicated)

1 Corporate information

Orient Victory Travel Group Company Limited (the "Company") is an exempted limited company incorporated in the Cayman Islands. The registered office of the Company is located at P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Upon the sale of its financial services business in May 2019 as disclosed in Note 8, the Company and its subsidiaries (the "Group") is principally engaged in the diversified tourism products and services, integrated development businesses, and other investment holding business during the year ended 31 December 2019.

2 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interests in associates.

These financial statements are presented in HK$, which is the Company's functional currency, and all values are rounded to the nearest thousand ("$'000") except when otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for interests in leasehold land held as investment property and contingent consideration which are stated at their fair value (see Notes 2(f), 2(g) and 2(u)(i)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

2 Significant accounting policies *(continued)*

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

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

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

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there is no impact to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

a. New definition of a lease

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

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

2 Significant accounting policies *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 34(a). For an explanation of how the Group applies Lessee accounting, see Note 2(j)(i).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

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

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

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in Note 34(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	$'000
Operating lease commitments at 31 December 2018	1,578
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,578)
Total lease liabilities recognised at 1 January 2019	–

2 Significant accounting policies *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

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

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

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

	Carrying amount at 31 December 2018 $'000	Capitalisation of operating lease contracts $'000	Carrying amount at 1 January 2019 $'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	103,576	27,684	131,260
Lease prepayments	27,684	(27,684)	–
Total non-current assets	131,260	–	131,260

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

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

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see Note 23(b)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement (see Note 23(c)).

2 Significant accounting policies *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

c. Impact on the financial result, segment results and cash flows of the Group *(continued)*

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	Add back: HKFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (Note 1)	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17 (Restated)
	(A)	(B)	(C)	(D=A+B-C)	(Note)
	$'000	$'000	$'000	$'000	$'000
Financial result from continuing operations for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Loss from operations	(11,390)	3,386	3,537	(11,541)	(54,886)
Finance costs	(5,971)	223	–	(5,748)	(2,174)
Loss before taxation	(17,361)	3,609	3,537	(17,289)	(57,060)
Loss for the year from continuing operations	(22,919)	3,609	3,537	(22,847)	(57,060)
Reportable segment results from continuing operations for year ended 31 December 2019 (Note 4(b)) impacted by the adoption of HKFRS 16:					
– Diversified tourism products and services	(10,605)	1,168	1,227	(10,664)	(5,294)
– Integrated development	28,499	152	160	28,491	(64)
– Investment holding	(29,284)	2,066	2,150	(29,368)	(49,528)
– Total	(11,390)	3,386	3,537	(11,541)	(54,886)

Note: The restatement of comparative information is attributable to the discontinued operations as disclosed in Note 8.

2 Significant accounting policies *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

c. Impact on the financial result, segment results and cash flows of the Group *(continued)*

	2019			2018
	Amounts reported under HKFRS 16 (A) $'000	Estimated amounts related to operating leases as if under HKAS 17 (Notes 1 & 2) (B) $'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) $'000	Compared to amounts reported for 2018 under HKAS 17 $'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(94,825)	(3,537)	(98,362)	(25,629)
Net cash used in operating activities	(94,825)	(3,537)	(98,362)	(25,629)
Capital element of lease rentals paid	(3,314)	3,314	–	–
Interest element of lease rentals paid	(223)	223	–	–
Net cash used in financing activities	(12,493)	3,537	(8,956)	(9,687)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

d. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

2 Significant accounting policies *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

e. Lessor accounting

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(p), (q) or (r) depending on the nature of the liability.

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

2 Significant accounting policies *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless the investment is classified as held-for-sale.

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held-for-sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investee's and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see Note 2(k)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see Note 2(k)(ii)).

2 Significant accounting policies *(continued)*

(f) Business combination and goodwill

The Group applies the acquisition method to account for business combination. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill represents the excess of:

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

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)).

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

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(v)(iv).

2 Significant accounting policies *(continued)*

(g) Investment property *(continued)*

In the comparative period, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease (see Note 2(j)), and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in Note 2(j).

An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

(h) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(x)).

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

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

Buildings	2.5% to 5%
Furniture and leasehold improvements	10% to 25%, not exceeding the lease terms
Machinery and equipment	10% to 33.3%
Motor vehicles	10% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Significant accounting policies *(continued)*

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	1 to 5 years
– Others	1 to 2 years

Both the period and method of amortisation are reviewed annually.

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

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

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

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

2 Significant accounting policies *(continued)*

(j) Leased assets *(continued)*

(i) As a lessee (continued)

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(k) and 2(h)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 2(g);

- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with Note 2(l).

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

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see Note 2(g)); and

2 Significant accounting policies *(continued)*

(j) Leased assets *(continued)*

(i) As a lessee (continued)

(B) Policy applicable prior to 1 January 2019 *(continued)*

- land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(v)(iv).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to associates, which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

Measurement of ECLs

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

2 Significant accounting policies *(continued)*

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs *(continued)*

The expected cash shortfalls for fixed-rate financial assets, including trade and other receivables and loans to associates are discounted using the effective interest rate determined at initial recognition or an approximation thereof, where the effect of discounting is material; and for lease receivables are discounted using the discount rate used in the measurement of the lease receivable.

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 Significant accounting policies *(continued)*

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Significant increases in credit risk *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

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

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

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

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2 Significant accounting policies *(continued)*

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

- property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);
- intangible assets;
- goodwill;
- interest in an associate; and
- investments in subsidiaries and associates in the Company's statement of financial position.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

2 Significant accounting policies *(continued)*

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

(ii) Impairment of other non-current assets (continued)

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

– Property development

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of interests in freehold and leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 2(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

2 Significant accounting policies *(continued)*

(l) Inventories and other contract costs *(continued)*

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(l)(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventories, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(v).

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(n)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(n)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)).

2 Significant accounting policies *(continued)*

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(m)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(k)(i).

(p) Trade and other payables

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

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(x)).

(r) Perpetual convertible securities

Perpetual convertible securities are classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any interests and distributions are discretionary. Interests and distributions on perpetual convertible securities classified as equity are recognised as distributions within equity.

(s) Employee benefits

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

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

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2 Significant accounting policies *(continued)*

(s) Employee benefits *(continued)*

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(iii) Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(t) Income tax

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

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

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

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

2 Significant accounting policies *(continued)*

(t) Income tax *(continued)*

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

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

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

  - the same taxable entity; or

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

2 Significant accounting policies *(continued)*

(u) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

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

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

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(u)(i). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 2(u)(i).

(v) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2 Significant accounting policies *(continued)*

(v) Revenue recognition *(continued)*

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

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Service income

Service income from the rendering of services is recognised using the percentage of completion method.

(iii) Commission income

Commission income is recognised upon the completion of the related sale of goods and provision of services.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(v) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

(vi) Dividend income

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

(w) Foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

2 Significant accounting policies *(continued)*

(w) Foreign currencies *(continued)*

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and

- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 Significant accounting policies *(continued)*

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

(i) The entity and the Group are members of the same group.

(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.

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

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

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

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

(aa) Segment reporting

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

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

3 Accounting judgement and estimates

(a) Critical accounting judgement in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following critical accounting judgement:

Franchise arrangements

The Group holds 49% equity interests in an associate, namely China Comfort Tourism Group Company Limited ("China Comfort"), and this investment is accounted for in the Group's consolidated financial statements under the equity method. To promote China Comfort's brand name (the "Business Brand") and to establish a network throughout the People's Republic of China (the "PRC"), China Comfort entered into certain business arrangements (the "Business Arrangements") with various parties, in which China Comfort and the said parties established various companies under the relevant laws in the PRC. In order to finance their respective establishments, China Comfort made contributions in the form as paid-in capital into these companies, hence China Comfort, from a legal perspective, holds equity interests ranging between 5% and 100% in these companies. China Comfort only maintains the rights to protect the Business Brand. Under such Business Arrangements, China Comfort is entitled to fixed amounts of annual fee from these companies but does not share the operating results of these companies.

Under the relevant laws of the PRC, the companies under the Business Arrangements are not regarded as franchisees. However, since the Business Arrangements only give China Comfort certain rights to protect its Business Brand but do not give China Comfort control or significant influence over these companies' relevant activities, or variable returns on the operating results of these companies, the directors of the Company consider the Business Arrangements, from an accounting perspective, do not result in these companies being regarded as subsidiaries, associates or other equity investments of China Comfort, and accordingly, these companies are not consolidated into China Comfort's consolidated financial statements. However, in a view to reflect the substance of the Business Arrangements, the directors of the Company consider it is appropriate to regard these companies as franchisees of China Comfort, where the fixed annual fees received/receivable are recognised as franchise fee income instead of capital distributions/dividends.

At the inception of the Business Arrangements, deposits (i.e. financing in the form of paid-in capital mentioned above) in these franchisees are initially accounted for as a financial instrument at fair value, and thereafter stated at amortised cost using the effective interest method. Annual fees received/receivable from the franchisees are recorded as franchise fee income, reflecting the purpose for which the fees are charged.

3 Accounting judgement and estimates *(continued)*

(b) Estimation uncertainty

The key assumptions concerning the future and other significant sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are described below.

(i) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period, except where goodwill and indefinite life intangible assets are tested for impairment annually (see Note 2(k)(ii)). An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset or cash-generating unit. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in these estimates could have a significant impact on the recoverable amount of the asset or cash-generating unit, and could result in additional impairment charge or reversal of impairment in future years.

(ii) Expected credit losses of receivables

The management maintains an allowance for receivables for expected credit losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the historical credit loss experience, adjusted for factors that are specific to the debtors and assessments of both current and forecast general economic condition. If the financial condition of the debtors were to deteriorate, and/or the existing/forecast changes have a negative impact on the general economic conditions, expected credit losses would be higher than estimated.

(iii) Valuation of investment properties under development

As described in Note 13, investment properties representing lands under development are stated at fair value based on the valuation performed by independent firms of professional surveyors. In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates mainly including market price for comparable lands in the similar location and condition. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

4 Revenue and segment reporting

(a) Revenue

The Group, following the completion of the sale of its financial service business, is principally engaged in the provision of diversified tourism products and services, integrated development businesses, and investment holding business. Further details regarding the Group's principal activities are disclosed in Note 4(b).

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

	2019 $'000	2018 $'000
Continuing operations:		
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
– Sales of air tickets	311,157	234,928
– Sales of diversified tourism products, provision of travel and other related services and commission income	84,671	13,414
– Sales of products and service income from tourism attractions	49,388	–
– Marketing, event planning and consulting services	30,783	–
	475,999	248,342
Discontinued operations:		
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
– Financial services	–	330
– Trading and retail of jewellery	–	24,773
– Commission income from sales of jewellery	–	2,203
	–	27,306
	475,999	275,648

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 4(b)(i) and 4(b)(ii) respectively.

The Group mainly engages in retail business, and the directors of the Company consider that the Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2019 and 2018. Details of concentrations of credit risk are set out in Note 37(a).

4 Revenue and segment reporting *(continued)*

(b) Segment reporting

For management purposes, the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

Continuing reportable segments:

- The diversified tourism products and services segment, which comprises the sale of air tickets and other tourism products, provision of travel related and other services principally to corporate clients.

- The integrated development segment, which involves the development and operation of tourism and cultural attractions, sales of products, properties for lease business and for sale, and other services.

- The investment holding segment, which mainly involves equity investment activities.

Discontinued reportable segments:

- The financial services segment, which mainly involves the provision of advisory services on corporate finance, securities and asset management.

- The trading and retail of jewellery segment, which involves the distribution and sale of jewellery products.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. For continuing reportable segments, the adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that finance costs are excluded from such measurement.

Segment assets and liabilities include all assets and liabilities with the exception of cash and cash equivalents and restricted bank deposits which are managed centrally.

4 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

	Continuing operations								Discontinued operations						
	Diversified tourism products and services		Integrated development		Investment holding		Sub-total		Financial services		Trading and retail of jewellery	Sub-total		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2018	2019	2018	2019	2018
	$'000	$'000 (Note)	$'000	$'000 (Note)	$'000	$'000 (Restated) (Note)	$'000	$'000 (Restated) (Note)	$'000	$'000 (Restated) (Note)	$'000 (Note)	$'000	$'000	$'000	$'000 (Note)
Disaggregated by timing of revenue recognition:															
– Point in time	395,828	245,601	76,312	–	–	–	472,140	245,601	–	–	26,976	–	26,976	472,140	272,577
– Over time	–	2,741	3,859	–	–	–	3,859	2,741	–	330	–	–	330	3,859	3,071
Revenue from external customers	395,828	248,342	80,171	–	–	–	475,999	248,342	–	330	26,976	–	27,306	475,999	275,648
Segment results	(10,605)	(5,294)	28,499	(64)	(29,284)	(49,528)	(11,390)	(54,886)	(1,063)	(2,930)	2,492	(1,063)	(438)	(12,453)	(55,324)
Finance costs							(5,971)	(2,174)	–	–	(395)	–	(395)	(5,971)	(2,569)
Loss before taxation							(17,361)	(57,060)	(1,063)	(2,930)	2,097	(1,063)	(833)	(18,424)	(57,893)
Segment assets	78,749	36,348	606,297	315,541	384,949	433,379	1,069,995	785,268	–	16,674	–	–	16,674	1,069,995	801,942
Corporate and other unallocated assets														120,930	200,667
Total assets														1,190,925	1,002,609
Segment and total liabilities	66,734	50,055	313,646	69,500	104,383	95,692	484,763	215,247	–	2,902	–	–	2,902	484,763	218,149
Other segment information:															
Share of losses of associates	–	–	–	–	10,974	17,314	10,974	17,314	–	–	–	–	–	10,974	17,314
Loss on disposal of property, plant and equipment, net	–	–	–	–	–	–	–	–	–	–	17	–	17	–	17
Depreciation and amortisation	1,495	251	6,194	195	387	199	8,076	645	–	12	46	–	58	8,076	703
Capital expenditure	3,581	369	7,655	8	50	7	11,286	384	–	–	9	–	9	11,286	393

Note: The restatement of comparative information is attributable to the discontinued operations as disclosed in Note 8. The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

4 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(ii) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's assets. The geographical location of customers is based on the location at which the goods and services were sold or provided. The geographical location of the specified assets is based on the physical location of the assets or the location of the operations, in the case of investment properties, other property, plant and equipment, intangible assets, deferred tax assets and current assets, and the location of operations, in the case of goodwill and interests in associates except for the associate's intangible assets in distribution network which is separately allocated based on the location receiving the substantial benefits.

	Revenue from external customers (Continuing operations)		Revenue from external customers (Discontinued operations)		Non-current assets		Current assets		Total assets	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
		(Restated) (Note)		(Restated) (Note)						
Hong Kong (place of domicile)	**210,261**	245,020	**–**	330	**349,908**	365,495	**45,630**	211,591	**395,538**	577,086
Mainland China	**265,738**	3,322	**–**	26,976	**280,367**	259,200	**428,805**	98,427	**709,172**	357,627
New Zealand	**–**	–	**–**	–	**30,278**	3	**55,937**	67,893	**86,215**	67,896
	475,999	248,342	**–**	27,306	**660,553**	624,698	**530,372**	377,911	**1,190,925**	1,002,609

Note: The restatement of comparative information is attributable to the discontinued operations as disclosed in Note 8. The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

5 Other income

	2019	2018
	$'000	$'000
		(Restated)
Bank interest income	**881**	4,722
Finance income in connection with interest-free loans to an associate (see Note 18)	**826**	653
	1,707	5,375

6 Loss before taxation

Loss before taxation is arrived at after charging:

(a) Finance costs

	2019 $'000	2018 $'000
Interest on bank loans	587	–
Interest on lease liabilities	223	–
Finance costs in connection with interest-free loan from non-controlling shareholders of a subsidiary	3,802	–
Net foreign exchange loss	1,359	2,174
	5,971	2,174

(b) Staff costs (including directors' emoluments)

	2019 $'000	2018 $'000 (Restated)
Wages, salaries and other benefits	39,375	28,243
Pension scheme contributions	2,357	1,432
Equity-settled share-based payment expenses (Note 29)	174	–
	41,906	29,675

(c) Other items

	2019 $'000	2018 $'000 (Restated)
Cost of inventories sold (Note 19(b))	311,294	230,554
Amortisation cost of intangible assets (Note 14)	24	7
Depreciation charge (Note 13)		
– owned property, plant and equipment	3,983	638
– right-of-use assets	4,069	–
Impairment losses on trade receivables		
– trade receivables (Note 37(a))	1,327	18
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 (Note)	–	6,369
Auditors' remuneration	4,447	3,507

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

7 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2019 $'000	2018 $'000
Deferred tax		
Origination and reversal of temporary differences	5,558	–

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates:

	2019 $'000	2018 $'000 (Restated)
Loss before taxation	(17,361)	(57,060)
Notional tax on losses before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	1,939	(5,616)
Tax effect of non-deductible expenses	117	8
Tax effect of share of losses of associates	2,743	4,329
Tax effect of non-taxable income	(87)	(762)
Tax effect of utilisation of previously unrecognised tax losses	(1,407)	–
Tax effect of unused tax losses and temporary differences not recognised	2,253	2,041
Actual tax expense	5,558	–

Notes:

(i) Provision for Hong Kong Profit Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. The Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profit Tax for 2019 (2018: $Nil).

(ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(iii) Pursuant to the rules and regulations of the PRC, the Group's subsidiaries established in Mainland China are subject to PRC Corporate Income Tax at the statutory rate of 25% during the year (2018: 25%).

(iv) Pursuant to the rules and regulations of the New Zealand, the Group's subsidiaries established in the New Zealand are subject to the Business Income Tax at the statutory rate of 28% during the year (2018: 28%).

8 Discontinued operations

Disposal of discontinued operation in 2019

On 18 April 2019, the Company entered into a sale and purchase agreement with Mr. Shi Baodong, the controlling shareholder of the Company, to sell its 100% equity interest in Orient Victory International Financial Holdings Limited ("OVIF") at a cash consideration of $15,900,000. OVIF was an investment holding company incorporated in BVI which mainly and indirectly held the entire interests in two operating subsidiaries, namely Orient Victory Azure Capital Limited ("OVAC") (a company incorporated in Hong Kong and licensed to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (the "SFO")) and Orient Victory Azure Asset Management Limited ("OVAAM") (a company incorporated in Hong Kong and licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO). OVAC and OVAAM were engaged in the provision of financial services.

The disposal of OVIF was completed on 15 May 2019. Accordingly, the Group ceased to hold any interest in OVIF, OVAC, OVAAM and other intermediate holding companies (collectively referred to as the "OVIF Group"). Upon completion of the transaction, all of the Group's financial services business was disposed of.

The consolidated results of the OVIF Group for the period from 1 January 2019 to 15 May 2019 have been presented as discontinued operation in the Group's consolidated financial statements and the comparative figures of the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, and corresponding notes have been restated to show the discontinued operation separately from continuing operations.

Disposal of discontinued operation in 2018

On 23 July 2018, the Company entered into a sale and purchase agreement with South China Financial Holdings Limited ("South China") to sell its 85% equity interest in King Link Investments Limited ("King Link") at a total consideration of $4,800,000. King Link was an investment holding company incorporated in Hong Kong which held 65.45% equity interest in Nanjing South China Baoqing Jewellery Co., Ltd. ("Nanjing Baoqing", a company incorporated in the PRC). Nanjing Baoqing was engaged in the distribution and sale of jewellery products.

The disposal of King Link was completed on 18 September 2018. Accordingly, the Group ceased to hold any interest in King Link and Nanjing Baoqing (collectively referred to as the "Nanjing Baoqing Group"). Upon completion of the transaction, all of the Group's jewellery business was disposed of.

The consolidated results of the Nanjing Baoqing Group for the period from 1 January 2018 to 18 September 2018 have been presented as discontinued operations in the Group's consolidated financial statements.

8 Discontinued operations *(continued)*

(a) Results of discontinued operations, including both the OVIF Group and the Nanjing Baoqing Group

	Period from 1 January 2019 to 15 May 2019 $'000	2018 $'000
Revenue	–	27,306
Cost of sales	–	(20,993)
Gross profit	–	6,313
Other income	–	30
Selling, general and administrative expenses	(1,242)	(10,119)
Loss from operations	(1,242)	(3,776)
Finance costs	–	(395)
Gain on disposal of a subsidiary	–	492
Loss before taxation	(1,242)	(3,679)
Income tax	–	–
Loss for the year	(1,242)	(3,679)
Gain on disposal of discontinued operation (Note 8(c))	179	2,846
Loss for the year from discontinued operation	(1,063)	(833)
Attributable to:		
Equity owners of the Company	(1,063)	(514)
Non-controlling interests	–	(319)

(b) Cash flows generated from discontinued operations, including both the OVIF Group and the Nanjing Baoqing Group

	Period from 1 January 2019 to 15 May 2019 $'000	2018 $'000
Net cash generated from operating activities	135	2,829
Net cash generated from investing activities	–	14
Net cash used in financing activities	–	(1,890)
Net cash generated from discontinued operations	135	953

8 Discontinued operation *(continued)*

(c) Net assets of the OVIF Group disposed of as at the disposal date

	At 15 May 2019
	$'000
Intangible assets	16,388
Trade receivables	84
Cash and cash equivalents	2,185
Other payables and accruals	(232)
Deferred tax liabilities	(2,704)
Net assets disposed of	15,721
Total cash consideration	15,900
Less: net assets disposed of	(15,721)
Gain on disposal of discontinued operation (Note 8(a))	179
Consideration received	15,900
Less: net cash and cash equivalents disposed of	(2,185)
Net cash inflows	13,715

9 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Pension scheme contributions $'000	2019 Total $'000
Chairman				
Mr. Shi Baodong	–	1,920	18	1,938
Executive directors				
Mr. Zhao Huining	–	–	–	–
Mr. Mo Yueming	–	–	–	–
Non-executive director				
Ms. Song Sining	–	–	–	–
Independent non-executive directors				
Mr. Dong Xiaojie	150	–	–	150
Mr. He Qi	150	–	–	150
Mr. Suei Feng-jih	150	–	–	150
	450	1,920	18	2,388

9 Directors' emoluments *(continued)*

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Pension scheme contributions $'000	2018 Total $'000
Chairman				
Mr. Shi Baodong	–	1,920	18	1,938
Executive directors				
Mr. Zhao Huining	–	640	6	646
Mr. Wang Jianhua (resigned with effect from 2 May 2018)	–	–	–	–
Mr. Mo Yueming (appointed on 2 May 2018)	–	–	–	–
Non-executive director				
Ms. Song Sining	–	–	–	–
Independent non-executive directors				
Mr. Dong Xiaojie	150	–	–	150
Mr. He Qi	150	–	–	150
Mr. Law Wang Chak, Waltery (retired with effect from 25 June 2018)	73	–	–	73
Mr. Suei Feng-jih (appointed on 25 June 2018)	78	–	–	78
	451	2,560	24	3,035

For the year ended 31 December 2019, Mr. Shi Baodong and Mr. Zhao Huining agreed to waive their director's remuneration of $20,000 and $2,800,000, respectively (2018: Mr. Shi Baodong, Mr. Wang Jianhua and Mr. Zhao Huining agreed to waive their director's remuneration of $20,000, $210,000 and $1,980,000, respectively).

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2018: two) director(s) whose emoluments is disclosed in Note 9. The aggregate of the emoluments in respect of the other four (2018: three) individuals are as follows:

	2019 **$'000**	2018 $'000
Salaries, allowances and benefits in kind	**3,354**	3,426
Pension scheme contributions	**62**	48
	3,416	3,474

10 Individuals with highest emoluments *(continued)*

The emoluments of the four (2018: three) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
$Nil – $1,000,000	3	2
$1,000,001 – $1,500,000	1	–
$2,000,001 – $3,000,000	–	1

11 Dividend

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: $Nil).

12 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company and the weighted average ordinary shares in issue during the year, calculated as follows:

(i) Loss for the purpose of calculating basic loss per share

	2019 $'000	2018 $'000
Loss attributable to the equity owners of the Company	34,097	56,078
Distribution paid to the holders of perpetual convertible securities (Note 32)	13,037	26,078
Accrued distribution to the holders of perpetual convertible securities (Note 32)	2,100	–
Loss for the purpose of calculating basic loss per share	49,234	82,156

(ii) Weighted average number of ordinary shares

	2019 '000	2018 '000
Issued ordinary shares at 1 January	12,749,925	12,748,925
Effect of issuance of shares upon conversion of perpetual convertible securities (Note 31(b))	–	493
Effect of issuance of new shares (Note 31(b))	148,596	–
Weighted average number of ordinary shares at 31 December (basic)	12,898,521	12,749,418

12 Loss per share *(continued)*

(b) Diluted loss per share

There were no dilutive potential ordinary shares outstanding for the years ended 31 December 2019 and 2018. The effect of the deemed conversion of the perpetual convertible securities was not included in the calculation of diluted loss per share as they are anti-dilutive during the years ended 31 December 2019 and 2018.

13 Investment properties and other property, plant and equipment

(a) Reconciliation of carrying amount

	Buildings	Land and offices leased for own use carried at cost	Furniture and leasehold improvements	Machinery and equipment	Motor vehicles	Sub-total	Investment properties under development	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation:								
At 1 January 2018	–	–	1,176	1,148	1,415	3,739	–	3,739
Additions	–	–	6	260	20	286	–	286
Additions through acquisitions of subsidiaries	101,234	–	504	325	146	102,209	–	102,209
Disposals	–	–	–	(42)	–	(42)	–	(42)
Disposal of discontinued operation	–	–	(376)	(454)	(316)	(1,146)	–	(1,146)
At 31 December 2018	101,234	–	1,310	1,237	1,265	105,046	–	105,046
Representing:								
Cost	101,234	–	1,310	1,237	1,265	105,046	–	105,046
At 31 December 2018	101,234	–	1,310	1,237	1,265	105,046	–	105,046
Impact on initial application of HKFRS 16 (Note)	–	27,684	–	–	–	27,684	–	27,684
At 1 January 2019	101,234	27,684	1,310	1,237	1,265	132,730	–	132,730
Additions	462	9,139	14	1,612	40	11,267	–	11,267
Transfer from inventories	–	–	–	–	–	–	131,897	131,897
Fair value adjustment	–	–	–	–	–	–	28,025	28,025
Exchange adjustments	(1,888)	(464)	(2)	(45)	(5)	(2,404)	(564)	(2,968)
At 31 December 2019	99,808	36,359	1,322	2,804	1,300	141,593	159,358	300,951
Representing:								
Cost	99,808	36,359	1,322	2,804	1,300	141,593	–	141,593
Valuation – 2019	–	–	–	–	–	–	159,358	159,358
	99,808	36,359	1,322	2,804	1,300	141,593	159,358	300,951

13 Investment properties and other property, plant and equipment *(continued)*

(a) Reconciliation of carrying amount *(continued)*

	Buildings	Land and offices leased for own use carried at cost	Furniture and leasehold improvements	Machinery and equipment	Motor vehicles	Sub-total	Investment properties under development	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated amortisation and depreciation:								
At 1 January 2018	–	–	(379)	(590)	(750)	(1,719)	–	(1,719)
Charge for the year	–	–	(185)	(181)	(330)	(696)	–	(696)
Written back on disposals	–	–	–	25	–	25	–	25
Written back on disposal of discontinued operation	–	–	322	313	285	920	–	920
At 31 December 2018	–	–	(242)	(433)	(795)	(1,470)	–	(1,470)
At 1 January 2019	–	–	(242)	(433)	(795)	(1,470)	–	(1,470)
Charge for the year	(2,902)	(4,069)	(229)	(509)	(343)	(8,052)	–	(8,052)
Exchange adjustments	67	5	7	18	2	99	–	99
At 31 December 2019	(2,835)	(4,064)	(464)	(924)	(1,136)	(9,423)	–	(9,423)
Net book value:								
At 31 December 2019	96,973	32,295	858	1,880	164	132,170	159,358	291,528
At 31 December 2018	101,234	–	1,068	804	470	103,576	–	103,576

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See Note 2(c).

13 Investment properties and other property, plant and equipment *(continued)*

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Investment properties under development:				
Residential – Mainland China	130,506	–	130,506	–
Residential – New Zealand	28,852	–	28,852	–

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties, representing lands under development, were revalued as at 31 December 2019. The valuations were carried out by independent surveyor firms of Memfus Wong Surveyors Limited and Savills (NZ) Limited for lands under development located in the Mainland China and New Zealand, who have among their staff Fellows of the Hong Kong Institute of Surveyors and Members of the Property Institute of New Zealand, respectively, and all have recent experience in the respective location and category of property being valued. The Group's property development manager and the senior management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the annual reporting date.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of lands under development located in Mainland China and New Zealand is determined using market comparison approach by reference to recent market transactions of comparable lands on a price per square meter or per hectare basis using market data which is publicly available.

13 Investment properties and other property, plant and equipment *(continued)*

(c) Right-of-use assets

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

	Note	31 December 2019 $'000	1 January 2019 $'000
Land leased for own use, carried at depreciated cost, with lease term of 40 years	(i)	**26,542**	27,684
Offices leased for own use, carried at depreciated cost	(ii)	**5,753**	–
		32,295	27,684

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 $'000	2018 $'000 (Note)
Depreciation charge of right-of-use assets by class of underlying asset:		
Land leased for own use	**683**	–
Offices leased for own use	**3,386**	–
	4,069	–
Interest on lease liabilities (Note 6(a))	**223**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**1,560**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	6,369

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

During the year, additions to right-of-use assets were $9,139,000. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 23(c) and 28, respectively.

(i) Land leased for own use

The Group leases land for its operation of tourism and cultural attractions, where the buildings and facilities are primarily located. The Group is the registered owner of the land. Lump sum payments were made upfront to acquire the land from the previous registered owner, and there are no ongoing payments to be made under the terms of the land lease.

(ii) Offices leased for own use

The Group leases offices under leases expiring from 2 to 3 years. None of the leases includes variable lease payments.

14 Intangible assets

	Securities licence $'000	Travel licences and others $'000	Software $'000	Total $'000
Cost:				
At 1 January 2018	16,388	–	–	16,388
Addition through acquisitions of subsidiaries	–	1,765	–	1,765
Additions	–	–	107	107
Exchange adjustments	–	(124)	(1)	(125)
At 31 December 2018 and 1 January 2019	**16,388**	**1,641**	**106**	**18,135**
Additions	**–**	**–**	**19**	**19**
Addition through acquisition of a subsidiary (Note 33)	**–**	**6,098**	**–**	**6,098**
Disposal of discontinued operation (Note 8(c))	**(16,388)**	**–**	**–**	**(16,388)**
Exchange adjustments	**–**	**(19)**	**(2)**	**(21)**
At 31 December 2019	**–**	**7,720**	**123**	**7,843**
Accumulated amortisation:				
At 1 January 2018	–	–	–	–
Charge for the year	–	–	(7)	(7)
At 31 December 2018 and 1 January 2019	**–**	**–**	**(7)**	**(7)**
Charge for the year	**–**	**–**	**(24)**	**(24)**
Exchange adjustments	**–**	**–**	**1**	**1**
At 31 December 2019	**–**	**–**	**(30)**	**(30)**
Carrying amount:				
At 31 December 2019	**–**	**7,720**	**93**	**7,813**
At 31 December 2018	16,388	1,641	99	18,128

At 31 December 2019, intangible assets mainly represent the outboard travel licences held by the Group in carrying out outboard travel business. Management assessed that the economic useful lives of the licences to be indefinite.

15 Goodwill

	$'000
Cost and carrying amount:	
At 31 December 2018 and 1 January 2019 (Note (i))	12,994
Addition through acquisition of a subsidiary (Note (ii) and Note 33(b))	2,562
Exchange reserve	(258)
At 31 December 2019	15,298

Notes:

(i) On 18 December 2018, the Group entered into a sale and purchase agreement with three individual vendors to acquire 55% equity interest in Hebei Tu Men Travel Development Limited ("Tu Men Travel") at a cash consideration of RMB47,113,000 (equivalent to approximately $53,642,000). Tu Men Travel is primarily involved in the management and operation of tourism attractions in Hebei Province, the PRC. The acquisition was completed on 31 December 2018.

Goodwill amounted to $12,994,000 was recognised on the acquisition of Tu Men Travel and has been allocated to the business of Tu Men Travel which has been identified by management of the Group as a CGU. The recoverable amount of this CGU to which the goodwill is allocated is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% which is consistent with the forecasts included in industry reports. The cash flows are discounted using a discount rate of 21%. The discount rate used is pre-tax and reflect specific risks relating to the business. Based on the results of the value-in-use calculation, the management of the Group considers that no impairment loss is required to be made on Tu Men Travel, and hence, the goodwill.

(ii) With respect to the Group's acquisition of 51% equity interest in Beijing Jinlv Shidai Tourism Co. Limited ("Jinlv Shidai") during the year ended 31 December 2019, goodwill amounted to $2,562,000 was recognised and has been allocated to the business of Jinlv Shidai which has been identified by management of the Group as the only CGU. The recoverable amount of this CGU to which the goodwill is allocated is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Based on the results of the value-in-use calculation, the management of the Group considers that no impairment loss is required to be made on Jinlv Shidai, and hence, the goodwill.

(Expressed in HK$ unless otherwise indicated)

16 Investments in subsidiaries

The following list only contains the particulars of the subsidiaries at 31 December 2019 which principally affected the results, assets or liabilities of the Group.

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment	Particulars of issued/ registered and paid-up capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
1 Miller Rise Development Ltd.	New Zealand	New Zealand Dollar ("NZD")100	100%	–	100%	Property development
173 Millwater Parkway Investment Ltd.	New Zealand	NZD100	100%	–	100%	Property development
Shenzhen Dongsheng Huamei Cultural Travel Company Limited (深圳東勝華美文化旅游有限公司) (Note (ii))	Mainland China	Note (iv)	100%	–	100%	Investment holding
Four Seas Tours Limited ("Four Seas Tours")	Hong Kong	3,000,000 shares	65%	–	65%	Sale of air tickets and provision of other travel related services
Hong Kong Orient Victory China Cultural & Tourism Industrial Development Limited ("HK Cultural & Tourism")	Hong Kong	500,000 shares	51%	–	51%	Tourism business
Tu Men Travel (河北土門旅遊開發有限公司) (Notes (iii))	Mainland China	Note (v)	55%	–	55%	Tourism business
Dongsheng (Beijing) International Travel Co., Limited ("Dongsheng Beijing") (東勝(北京)國際旅行社有限公司) (Notes (ii))	Mainland China	Note (vi)	100%	–	100%	Tourism business
Jinlv Shidai (北京金旅時代旅行社有限公司) (Notes (iii) and 33(b))	Mainland China	Note (vii)	51%	–	51%	Tourism business
Hebei Yidao Town Real Estate Development Limited ("Yidao Town Real Estate") (河北驛道小鎮房地產開發有限公司) (Note (iii))	Mainland China	Note (viii)	75%	–	75%	Tourism business and property development

(Expressed in HK$ unless otherwise indicated)

16 Investments in subsidiaries *(continued)*

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment	Particulars of issued/ registered and paid-up capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Zhangjiakou Dakun Zhifang Real Estate Development Co., Limited ("Dakun Zhifang") (張家口大坤直方房地產開發有限公司) (Notes (i), (iii) and 33(a))	Mainland China	RMB5,000,000	40%	–	40%	Property development
Zhangjiakou Wan Long Real Estate Tourism Company Limited ("Wan Long") (張家口萬龍置業旅遊有限公司) (Note (iii))	Mainland China	Note (ix)	70%	–	70%	Property development

Notes:

(i) The Group has the power to control the entity through the entity's articles of association which authorise the Group to appoint the majority of the board of directors. For details, please refer to Note 33(a).

(ii) The English translation of the name is for reference only. The official name of the entity is in Chinese. The entity is a limited liability company and wholly domestic owned enterprise registered as under PRC law.

(iii) The English translation of the name is for reference only. The official name of the entity is in Chinese. The entity is a limited liability company and local joint venture registered as under PRC law.

(iv) The registered capital of this entity is RMB450,000,000. As of 31 December 2019, the registered capital has not been paid up.

(v) The registered capital of this entity is RMB66,486,000. As of 31 December 2019, the registered capital has not been fully paid up.

(vi) The registered capital of this entity is RMB10,000,000. As of 31 December 2019, the registered capital has not been paid up.

(vii) The registered capital of this entity is RMB5,000,000. As of 31 December 2019, the registered capital has not been paid up.

(viii) The registered capital of this entity is RMB120,000,000. As of 31 December 2019, the registered capital has not been paid up.

(ix) The registered capital of this entity is RMB50,000,000. As of 31 December 2019, the registered capital has not been fully paid up.

16 Investments in subsidiaries *(continued)*

(a) Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Continuing operations		
– Tu Men Travel	**45%**	45%
– Dakun Zhifang	**60%**	N/A

	2019	2018
	$'000	$'000
Profit for the year allocated to non-controlling interests:		
Continuing operations		
– Tu Men Travel	**95**	–
– Dakun Zhifang	**11,235**	N/A

	2019	2018
	$'000	$'000
Accumulated balances of non-controlling interests at the reporting period:		
Continuing operations		
– Tu Men Travel	**32,740**	33,258
– Dakun Zhifang	**54,694**	N/A

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Continuing Operations		
	Tu Men Travel		**Dakun Zhifang**
	2019	2018	**2019**
	$'000	$'000	**$'000**
Revenue	**50,779**	–	**–**
Valuation gains on investment properties	**–**	–	**31,802**
Cost of sales and services	**(41,206)**	–	**–**
Operating expenses	**(9,362)**	–	**(13,077)**
Profit for the year	**211**	–	**18,725**
Non-current assets	**125,500**	129,886	**130,520**
Current assets	**11,699**	4,050	**248,901**
Current liabilities	**(60,767)**	(56,354)	**(171,055)**
Non-current liabilities	**(3,676)**	(3,676)	**(117,210)**
Net assets	**72,756**	73,906	**91,156**

17 Interests in associates

	Note	2019 $'000	2018 $'000
Interest in China Comfort	(a)	343,518	360,434
Interest in Dakun Zhifang	(b)	–	30,819
		343,518	391,253

	Note	2019 $'000	2018 $'000
Share of losses of China Comfort	(a)	(9,744)	(17,110)
Share of losses of Dakun Zhifang	(b)	(1,230)	(204)
		(10,974)	(17,314)

(a) China Comfort

The following table lists out the particulars of China Comfort, which is an unlisted entity.

			Proportion of ownership interest			
Name of associate	Place of establishment	Particulars of registered and paid-up capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
China Comfort	Mainland China	RMB70,000,000	49%	–	49%	Provision of tourism-related and ticket-sales-related services, and provision of brand name for use by the franchisees

On 22 September 2015, the Group acquired 49% equity interest in China Comfort at a total consideration of RMB441,000,000 (approximately $541,573,000). China Comfort has been accounted for using the equity method of accounting in the Group's consolidated financial statements since the date of acquisition.

17 Interests in associates *(continued)*

(a) China Comfort *(continued)*

Summarised financial information of China Comfort

Summarised financial information of China Comfort, adjusted for fair value adjustments made at the date of acquisition and any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements is disclosed below:

	2019 $'000	2018 $'000
Gross amounts of China Comfort's		
Non-current assets (Note)	1,092,437	1,133,116
Current assets	157,977	189,867
Current liabilities	(319,837)	(353,061)
Non-current liabilities	(229,460)	(234,342)
Non-controlling interests	(60)	–
Equity attributable to the Group	701,057	735,580
Group's effective interest	49%	49%
Group's share of net assets of China Comfort and carrying amount in the consolidated financial statements	343,518	360,434

	2019 $'000	2018 $'000
Revenue for the year	481,390	624,291
Net loss for the year	(19,886)	(34,918)
Group's effective interest	49%	49%
Group's share of net loss of China Comfort in the consolidated financial statements	(9,744)	(17,110)

Note: On the date of acquisition, the identifiable net assets acquired by the Group included intangible assets (representing China Comfort's trademark and distribution network). These intangible assets are with indefinite useful lives and are allocated to the business of China Comfort as a whole, which is identified as a single cash-generating unit (i.e. China Comfort CGU). The carrying amount of these intangible assets at 31 December 2019 amounted to $773,544,000. The management of the Group has carried out an impairment assessment on China Comfort CGU at 31 December 2019. The recoverable amount of China Comfort CGU is determined based on value-in-use calculation. The calculation uses cash flow projections covering a five-year period based on financial budgets prepared by the management of China Comfort and strategic projections representing the best estimated future performance of China Comfort, including the forecast revenue, cost of sales and other operating expenses. Cash flows beyond the five-year period are extrapolated using an estimate weighted average growth rate of 3% which is consistent with market consensus on long-term growth rate of travel industry in the PRC. The cash flows are discounted using a discount rate of 18.51%. The discount rate used is pre-tax and reflect specific risks relating to China Comfort CGU. Based on the results of the value-in-use calculation, the management of the Group considers that no impairment loss is required to be made on China Comfort CGU, and hence, the intangible assets.

17 Interests in associates *(continued)*

(b) Dakun Zhifang

On 7 August 2018, the Group acquired 40% equity interest in Dakun Zhifang at a total consideration of $20,583,000. Dakun Zhifang was an associate and has been accounted for using the equity method of accounting in the Group's consolidated financial statements since 7 August 2018. The identifiable net assets acquired by the Group mainly included inventories, representing Dakun Zhifang's land under development. Dakun Zhifang is principally engaged in development of properties for sales and lease.

On 29 March 2019, the Group further acquired the control of Dakun Zhifang through a shareholders' resolution passed by the shareholders of Dakun Zhifang and its revised articles of association, and Dakun Zhifang has ceased to be an associate of the Group since that date (see Note 33(a)).

Summarised financial information of Dakun Zhifang

Summarised financial information of Dakun Zhifang, adjusted for fair value adjustments made at the date of acquisition and any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements as at 31 December 2018 is disclosed below:

	2018 $'000
Gross amounts of Dakun Zhifang's	
Current assets	358,311
Current liabilities	(105,179)
Non-current liabilities	(176,084)
Equity attributable to the Group	77,048
Group's effective interest	40%
Group's share of net assets of Dakun Zhifang and carrying amount in the consolidated financial statements	30,819

	From 1 January 2019 to 29 March 2019 **$'000**	From 7 August 2018 to 31 December 2018 $'000
Revenue for the period	**–**	–
Net loss for the period	**(3,074)**	(511)
Group's effective interest	**40%**	40%
Group's share of net loss of Dakun Zhifang in the consolidated financial statements	**(1,230)**	(204)

18 Other financial assets

	2019 $'000	2018 $'000
Financial assets measured at amortised cost:		
– Loan to Dakun Zhifang	–	71,063

On 22 October 2018, pursuant to an agreement with other equity holders of Dakun Zhifang, the Group provided a long-term loan of RMB71,100,000 (approximately $80,954,000) to Dakun Zhifang. The loan is unsecured, non-interest bearing and repayable on 21 October 2021.

The loan provided by the Group was initially recognised at its fair value of $70,433,000 and subsequently measured at amortised cost using the effective interest method. The fair value of the loan was determined by its present value with reference to the market interest rate of loans with similar terms. On initial recognition, the excess of the cash paid over the fair value of the financial asset of $10,521,000 has been recognised by the Group as its interest in Dakun Zhifang.

As explained in Note 17(b), Dakun Zhifang has been accounted for as a subsidiary of the Group since 29 March 2019 and hence the Group's loan to Dakun Zhifang was fully eliminated in the Group's consolidated financial statements.

19 Inventories

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

	2019 $'000	2018 $'000
Raw materials	310	–
Property development		
– Properties under development for sale	38,293	–
– Land held for future development for sale	154,759	69,986
	193,362	69,986

During the year ended 31 December 2019, the Group has decided to develop certain lands located in Mainland China and New Zealand to service apartments, parking space and townhouse for long-term lease business. Accordingly, inventories at the amount of $131,897,000 have been transferred to investment properties, and valuation gains of $28,025,000 were recognised in profit and loss for the year ended 31 December 2019 (see Note 13).

The amount of properties under development and land held for future development expected to be recovered after more than one year is $Nil and $154,759,000 respectively (2018: $Nil and $54,423,000 respectively). All of the other inventories are expected to be recovered within one year.

19 Inventories *(continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 $'000	2018 $'000
Carrying amount of inventories sold	311,294	230,554

(c) The analysis of carrying value of land held for property development for sale is as follows:

	2019 $'000	2018 $'000
In New Zealand:		
– 50 years or more (long-term leases)	13,535	59,654
In Mainland China, with lease term of:		
– 40 years (medium-term leases)	41,288	10,332
– 70 years (long-term leases)	99,936	–
	154,759	69,986

20 Trade receivables

	2019 $'000	2018 $'000
Trade receivables	55,338	25,730
Less: loss allowance	(1,463)	(152)
	53,875	25,578

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2019 $'000	2018 $'000
Within 90 days	52,040	23,060
91 to 180 days	1,306	1,902
181 to 365 days	170	429
Over 365 days	359	187
	53,875	25,578

Trade receivables are due within 14 to 90 days (2018: 14 to 90 days) from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 37(a).

21 Prepayments, deposits and other receivables

	2019 $'000	2018 $'000
Loans to associates (Note (ii))	36,074	62,896
Interest receivable	116	164
Deposits	5,585	347
Other receivables	5,249	3,593
Financial assets measured at amortised cost	47,024	67,000
Prepayments for other operating expenses	18,634	3,295
Prepayments for acquisition of business	–	4,629
Prepayments for development of tourism attraction projects	34,883	6,756
Prepayments for land use right (Note (iii))	61,664	–
	115,181	14,680
	162,205	81,680

Notes:

(i) All of the prepayments, deposits and other receivables are expected to be recoverable or recognised as expenses within one year.

(ii) At 31 December 2019, loans to associates represent short-term loans of RMB32,340,000 (equivalent to approximately $36,074,000) to China Comfort (2018: short-term loans of RMB32,340,000 (equivalent to approximately $36,822,000) to China Comfort and RMB22,900,000 (equivalent to approximately $26,074,000) to Dakun Zhifang), which are non-interest bearing, unsecured and are repayable on demand (see Note 38(b)).

(iii) On 8 November 2019, the Group signed a contract with Zhangjiakou Chongli District Bureau of Natural Resources and Planning to acquire the 40-year lease term of a piece of land located in Huangtuzui Village of Chongli District, the PRC, at a total consideration of RMB55,282,000 (equivalent to approximately $61,664,000). The Group fully settled the consideration for land acquisition in cash during the year and the lease term of the certificate of land use right was effective from 7 February 2020.

22 Restricted bank deposits

	2019 $'000	2018 $'000
Restricted deposit for holding travel licences	3,123	1,594
Restricted deposit for future distributions to perpetual convertible securities holders (Note)	–	10,200
	3,123	11,794

Note: For the perpetual convertible securities issued on 30 March 2016 (Note 32), the Group undertook to the holders that it would deposit an amount equivalent to 6% of the outstanding principal amount of the perpetual convertible securities at a designated bank account to serve as guaranteed deposit. The restricted period of the deposit has expired during the year.

23 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents in the consolidated statement of financial position comprise:

	2019 $'000	2018 $'000
Cash at bank and on hand	115,436	118,755
Time deposits with original maturity of less than 3 months	2,371	70,118
	117,807	188,873

RMB is not freely convertible into other currencies, and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

23 Cash and cash equivalents and other cash flow information *(continued)*

(b) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings $'000 (Note (i))	Interest payable $'000	Distributions payable $'000 (Note 32)	Lease liabilities $'000 (Note 28)	Total $'000
At 1 January 2018	8,948	65	–	–	9,013
Changes from financing cash flows:					
Proceeds from bank and other borrowings	13,226	–	–	–	13,226
Repayment of bank and other borrowings	(1,275)	–	–	–	(1,275)
Interest paid	–	(460)	–	–	(460)
Distributions paid to holders of perpetual convertible securities	–	–	(26,078)	–	(26,078)
Total changes from financing cash flows	11,951	(460)	(26,078)	–	(14,587)
Other changes:					
Distributions declared (Note 32)	–	–	26,078	–	26,078
Interest expense on bank and other borrowings	–	395	–	–	395
Disposal of discontinued operation	(7,220)	–	–	–	(7,220)
Exchange adjustments	(453)	–	–	–	(453)
Total other changes	(7,673)	395	26,078	–	18,800
At 31 December 2018	13,226	–	–	–	13,226
Impact on initial application of HKFRS 16 (Note 2 (c))	–	–	–	–	–
At 1 January 2019	**13,226**	**–**	**–**	**–**	**13,226**
Changes from financing cash flows:					
Proceeds from bank and other borrowings	**20,673**	**–**	**–**	**–**	**20,673**
Repayment of bank and other borrowings	**(16,171)**	**–**	**–**	**–**	**(16,171)**
Capital element of lease rentals paid	**–**	**–**	**–**	**(3,314)**	**(3,314)**
Interest element of lease rentals paid	**–**	**–**	**–**	**(223)**	**(223)**
Interest paid	**–**	**(587)**	**–**	**–**	**(587)**
Distributions paid to holders of perpetual convertible securities	**–**	**–**	**(13,037)**	**–**	**(13,037)**
Total changes from financing cash flows	**4,502**	**(587)**	**(13,037)**	**(3,537)**	**(12,659)**

23 Cash and cash equivalents and other cash flow information *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Bank loans and other borrowings $'000 (Note (i))	Interest payable $'000	Distributions payable $'000 (Note 32)	Lease liabilities $'000 (Note 28)	Total $'000
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	–	–	9,139	9,139
Distributions declared (Note 32)	–	–	13,037	–	13,037
Interest expense (Note 6(a))	–	587	–	223	810
Exchange adjustments	207	–	–	–	207
Total other changes	207	587	13,037	9,362	23,193
At 31 December 2019	17,935	–	–	5,825	23,760

Notes:

(i) Bank loans and other borrowings consist of bank loans and loans from non-controlling shareholders of a subsidiary as disclosed in Note 27.

(ii) The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See Note 2(c).

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 $'000	2018 $'000 (Note)
Within operating cash flows	(1,560)	(6,369)
Within financing cash flows	(3,537)	–
	(5,097)	(6,369)

Note: As explained in the note to consolidated cash flow statement, the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

23 Cash and cash equivalents and other cash flow information *(continued)*

(c) Total cash outflow for leases *(continued)*

These amounts relate to the following:

	2019 $'000	2018 $'000
Lease rentals paid	(5,097)	(6,369)

24 Trade payables

As at the end of reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2019 $'000	2018 $'000
Within 90 days	39,742	26,701
91 to 180 days	65	–
181 to 365 days	531	–
	40,338	26,701

Included in trade payables are payables of $22,236,000 (2018: $24,800,000) due to a non-controlling equity shareholder of a subsidiary which are repayable within 40 days from the date of billing.

All of the trade payables are expected to be settled within one year or are repayable on demand.

25 Contract liabilities

	2019 $'000	2018 $'000
Receipts in advance from customers	15,229	1,223

All of the receipts in advance from customers are expected to be recognised as revenue within one year.

26 Other payables and accruals

	2019 $'000	2018 $'000
Amounts due to related parties	**125,471**	51,004
Amounts due to non-controlling shareholders of subsidiaries	**16,322**	–
Payables to air tickets customers	**7,214**	6,641
Accrued legal and professional fees	**4,113**	5,111
Payable for acquisition of Tu Men Travel	**40,867**	42,241
Payables for acquisition and construction of property, plant and equipment and land	**39,504**	45,840
Deposits	**10,507**	7,488
Other accruals and payables	**34,179**	11,884
	278,177	170,209

The amounts due to related parties and non-controlling shareholders of subsidiaries are unsecured, non-interest bearing and are repayable on demand. All of the other payables and accruals are expected to be settled within one year or are repayable on demand.

27 Borrowings

The analysis of the Group's borrowings is as follows:

	2019 $'000	2018 $'000
Short-term		
– Bank loans (Note (i))	**17,935**	–
– Other borrowings from related parties	**–**	13,226
	17,935	13,226
Long-term		
– Other borrowings from non-controlling shareholders of a subsidiary (Note (ii))	**109,387**	–

Notes:

(i) As at 31 December 2019, bank loans amounting to $17,935,000 were secured by the Group's lands and properties under development located in New Zealand, and guaranteed by the controlling shareholder of the Company, Mr. Shi Baodong and the Group's subsidiary in New Zealand.

(ii) On 22 October 2018, pursuant to an agreement entered into between the Group and other equity holders of Dakun Zhifang, other equity holders provided long-term loans of RMB106,650,000 (approximately $121,431,000) in aggregate to Dakun Zhifang. The loans are unsecured, non-interest bearing and repayable on 21 October 2021. The loans were initially recognised at its fair value of $105,650,000 in aggregate and subsequently measured at amortised cost using the effective interest method. The fair values of the loans were determined by their present values with reference to the market interest rate of loans with similar terms.

28 Lease liabilities

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

	31 December 2019		31 December 2018 and 1 January 2019 (Note)	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	$'000	$'000	$'000	$'000
Within 1 year	3,918	4,100	–	–
After 1 year but within 2 years	1,298	1,353	–	–
After 2 years but within 5 years	609	620	–	–
	1,907	1,973	–	–
	5,825	6,073	–	–
Less: total future interest expenses		248		–
Present value of lease liabilities		5,825		–

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and there is no impact to the opening balances at 1 January 2019 relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated and there were no leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in Note 2(c).

29 Equity settled share-based transactions

On 25 January 2019 and 6 June 2019, the immediate parent of the Group, Orient Victory Real Estate Group Holdings Limited ("OVRE"), and certain employees of the Group and other third-party individuals as placees (the "Placees") entered into sale and purchase agreements, under which OVRE agreed to sell and the Placees agreed to purchase 156,460,000 shares and 15,690,000 shares of the Company (collectively the "Placing Shares") at $0.145 per share and $0.129 per share respectively. Pursuant to the agreements, 7 employees of the Group have purchased 4,840,000 Placing Shares.

On 12 July 2019, OVRE adopted a share award scheme (the "Scheme") to grant awarded restricted shares of the Company (the "Awarded Shares") to selected persons. The Scheme shall be valid and effective for 10 years.

On 22 July 2019, the board of directors of OVRE approved to grant 8,970,000 Awarded Shares of the Company at nil consideration to 15 employees of the Group under the Scheme.

(Expressed in HK$ unless otherwise indicated)

29 Equity settled share-based transactions *(continued)*

The Group deemed the selling of the Placing Shares and the grant of the Awarded Shares to the Group's employees as a combined share-based payment arrangement. Both the Placing Shares and the Awarded Shares are subject to the terms and conditions as tabulated below and the dates of the selling of the Placing Shares and the grant of the Awarded Shares are collectively referred to as the "Grant Date":

The Grant Date	The Company's share price as of the Grant Date	Number of the Placing Shares and the Awarded Shares	Vesting conditions
25 January 2019	$0.180	912,000	42 months from the Grant Date
25 January 2019	$0.180	1,824,000	54 months from the Grant Date
25 January 2019	$0.180	1,824,000	66 months from the Grant Date
6 June 2019	$0.160	56,000	37 months from the Grant Date
6 June 2019	$0.160	112,000	49 months from the Grant Date
6 June 2019	$0.160	112,000	61 months from the Grant Date
22 July 2019	$0.150	1,794,000	36 months from the Grant Date
22 July 2019	$0.150	3,588,000	48 months from the Grant Date
22 July 2019	$0.150	3,588,000	60 months from the Grant Date
		13,810,000	

During the year ended 31 December 2019, share-based payment expense of $174,000 was recognised in administrative expenses of the Company.

30 Income tax in the consolidated statement of financial position

(a) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and movements during the year are as follows:

	Tax losses $'000	Fair value adjustments on non-current assets upon the acquisition of subsidiaries $'000	Revaluation of investment properties $'000	Total $'000
At 1 January 2018	–	2,704	–	2,704
Addition through acquisitions of subsidiaries	–	4,117	–	4,117
Exchange adjustments	–	(31)	–	(31)
At 31 December 2018 and 1 January 2019	–	6,790	–	6,790
Addition through acquisitions of subsidiaries (Note 33 (b))	–	1,525	–	1,525
(Credited)/charged to profit or loss	(1,335)	–	6,893	5,558
Disposal of discontinued operation (Note 8)	–	(2,704)	–	(2,704)
Exchange adjustments	12	(5)	(143)	(136)
At 31 December 2019	(1,323)	5,606	6,750	11,033

(ii) Reconciliation to the consolidated statement of financial position

	2019 $'000	2018 $'000
Net deferred tax asset recognised in the consolidated statement of financial position	(2,396)	–
Net deferred tax liability recognised in the consolidated statement of financial position	13,429	6,790
	11,033	6,790

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately $15,916,000 (2018: $13,918,000), $35,508,000 (2018: $32,885,000) and $1,692,000 (2018: $893,000) related to the Group's subsidiaries in Hong Kong, Mainland China and New Zealand, respectively.

31 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital $'000 Note 31(b)	Share premium $'000 Note 31(c)	Perpetual convertible securities $'000 Note 32	Accumulated losses $'000	Total $'000
Balance at 1 January 2018		63,745	611,083	396,402	(293,341)	777,889
Changes in equity for 2018:						
Loss and total comprehensive income for the year		–	–	–	(34,423)	(34,423)
Issuance of shares upon conversion of perpetual convertible securities	31(b)	5	123	(128)	–	–
Distributions to holders of perpetual convertible securities	32	–	–	–	(26,078)	(26,078)
Balance at 31 December 2018 and 1 January 2019 (Note)		**63,750**	**611,206**	**396,274**	**(353,842)**	**717,388**
Changes in equity for 2019:						
Loss and total comprehensive income for the year		–	–	–	(29,016)	(29,016)
Issuance of new shares	31(b)	860	23,850	–	–	24,710
Equity-settled share-based transactions	29	–	174	–	–	174
Distributions to holders of perpetual convertible securities	32	–	–	–	(13,037)	(13,037)
Redemption of perpetual convertible securities	32	–	–	(100,000)	–	(100,000)
Balance at 31 December 2019		**64,610**	**635,230**	**296,274**	**(395,895)**	**600,219**

Note: The Group, including the Company, has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 January 2019. See Notes 2(c) and 36.

31 Capital and reserves *(continued)*

(b) Share capital

	2019		2018	
	Number of ordinary shares '000	$'000	Number of ordinary shares '000	$'000
Authorised:				
Ordinary share at $0.005 each	20,000,000	100,000	20,000,000	100,000
Issued and fully paid:				
At 1 January	12,749,925	63,750	12,748,925	63,745
Issuance of new shares (Note (i))	172,150	860	–	–
Issuance of new shares upon conversion of perpetual convertible securities (Note (ii))	–	–	1,000	5
At 31 December	12,922,075	64,610	12,749,925	63,750

Notes:

(i) Pursuant to two subscription agreements entered into on 25 January 2019 and 6 June 2019 between the Company and OVRE, a controlling shareholder of the Company, 156,460,000 and 15,690,000 new ordinary shares of the Company were issued to OVRE at $0.145 per share and $0.129 per share respectively. The transactions were completed on 8 February 2019 and 19 June 2019 respectively, resulting in an aggregate proceed of $24,710,000, of which $860,000 was credited to share capital and the remaining $23,850,000 was credited to the share premium account.

(ii) In 2018, 1,000,000 units of 2016 October PCS (as defined in Note 32) have been converted into 1,000,000 ordinary shares in the Company. The amount of $128,000 from the above conversion were credited to share capital and share premium account at the amounts of $5,000 and $123,000, respectively.

(c) Share premium

Share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

32 Perpetual convertible securities

On 30 March 2016, the Company issued perpetual convertible securities in an aggregate principal amount of $170,000,000 (the "2016 March PCS"). The net proceeds of $155,668,000 were recorded as equity. The Group pledged the entire equity interest in Shenzhen Dong Sheng Hua Yu Commercial Management Company Limited, an indirect wholly-owned subsidiary of the Company, and the entire issued share capital of Donghui Hong Kong Holdings Limited, an indirect wholly-owned subsidiary of the Company, to secure the issue of the 2016 March PCS.

On 24 October 2016, the Company issued perpetual convertible securities in an aggregate principal amount of $264,867,000 (the "2016 October PCS", together with the 2016 March PCS, the "PCS"). The amount of $240,888,000 were recorded as equity.

The PCS have no fixed maturity dates. The Company may at its option redeem in whole or in part of the PCS. The PCS are convertible at the option of the holders into ordinary shares in the Company on a one-to-one ratio at the conversion price of $0.5436 and $0.128 per ordinary share of the Company for the 2016 March PCS and the 2016 October PCS, respectively.

Distributions at a rate of 6% per annum shall be payable on the PCS semi-annually and may be deferred at the sole discretion of the Company unless compulsory distribution payment events (including a discretionary dividend to ordinary shareholders of the Company or repaying any securities of lower rank or early redemption of securities prior to its stated maturity) has occurred.

In 2018, 1,000,000 units of the 2016 October PCS have been converted into ordinary shares in the Company (Note 31(b)). At 31 December 2019, there are 2,066,942,901 units of the 2016 October PCS (2018: 2,066,942,901 units) outstanding.

On 20 May 2019, 183,958,793 units of the 2016 March PCS (2018: nil) have been redeemed by the Company at the total amount of $100,000,000. At 31 December 2019, there are 128,771,155 units of the 2016 March PCS in an aggregate principal amount of $70,000,000 outstanding (2018: 312,729,948 units in an aggregate principal amount of $170,000,000).

In March and April 2019, the Company has paid distributions of $13,037,000 (2018: $26,078,000) to holders of the PCS.

On 9 September 2019, the Company announced to cancel the distribution of $7,950,000 to the holders of the 2016 October PCS, which had been scheduled to be made on 24 October 2019 at the distribution rate of 6% per annum.

In respect of the distribution of $2,100,000 to the holder of 2016 March PCS, the Company has postponed such distribution to 30 September 2020, which had been scheduled to be made on 30 September 2019 at the distribution rate of 6% per annum.

33 Acquisitions

(a) Change of Dakun Zhifang from an associate to a subsidiary

As disclosed in Note 17(b), the Group has commenced to account for Dakun Zhifang as a subsidiary of the Group since 29 March 2019 through acquiring controls of Dakun Zhifang.

The identifiable assets acquired and liabilities assumed on 29 March 2019 were as follows:

	Recognised values on 29 March 2019
	$'000
Other current assets	337,313
Cash and cash equivalents	23,430
Current liabilities	(102,939)
Non-current liabilities	(183,929)
Total identifiable net assets	73,875
Non-controlling interests	(44,325)
The Group's share of the net assets on 29 March 2019	29,550
Consideration satisfied in cash	–
Less: cash and cash equivalents in Dakun Zhifang	(23,430)
Net cash inflow	(23,430)

Had the change of associate to subsidiary occurred on 1 January 2019, the management estimates the Group's consolidated revenue and loss for the year would have been increased by nil and $1,844,000, respectively.

33 Acquisitions *(continued)*

(b) Acquisition of Jinlv Shidai

On 18 November 2019, the Group and Beijing Meidu International Travel Co., Limited ("Meidu") entered into agreement with four individuals, under which the Group and Meidu as purchasers and the four individuals as vendors, to acquire 51% and 49% equity interests in Jinlv Shidai at a cash consideration of RMB414,000 (equivalent to approximately $461,000) and RMB398,000 (equivalent to approximately $443,000), respectively. The acquisition was completed on 26 November 2019.

(i) The identifiable assets acquired and liabilities assumed in the above acquisition at the date of acquisition were as follows:

	Recognised values on acquisition $'000
Intangible assets	6,098
Cash and cash equivalents	1,558
Current liabilities	(1,558)
Deferred tax liabilities	(1,525)
Total identifiable net assets	4,573
Non-controlling interests	(2,241)
The Group's share of the net assets acquired	2,332
Consideration satisfied in cash	461
Less: cash and cash equivalents acquired	(1,558)
Net cash inflow	(1,097)

The intangible assets mainly represent the outbound travel licence which allows Jinlv Shidai to carry out outbound travel business. The fair value of the travel licence at the date of acquisition was with reference to valuation carried out by a qualified valuer. Management assessed that the economic useful lives of the licence to be indefinite.

Had the acquisition occurred on 1 January 2019, the management estimates the Group's consolidated revenue for the year would have been increased by nil and loss for the year would have been reduced by $878,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

33 Acquisitions *(continued)*

(b) Acquisition of Jinlv Shidai *(continued)*

(ii) Goodwill and contingent consideration payable to Meidu

Goodwill was recognised as a result of the acquisition:

	$'000
Consideration satisfied in cash	461
Add: contingent consideration payable to Meidu	4,433
Total consideration	4,894
Less: the Group's share of the net assets acquired	(2,332)
Goodwill	2,562

Pursuant to the cooperation agreement between the Group and Meidu, Meidu is entitled to a higher ratio of distribution from Jinlv Shidai for the following 5 years if the revenue and profit targets stipulated in the agreement are met. At the date of the acquisition, goodwill of $2,562,000 was determined provisionally based on the forecast of Jinlv Shidai. Contingent consideration was recognised as provisions in current and non-current portion at the amount of $975,000 and $3,458,000 respectively.

34 Commitments

(a) Operating lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Properties $'000
Within one year	1,578

The Group is the lessee in respect of certain office properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, there is no impact to the Group's opening balances at 1 January 2019 relating to these leases (see Note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2(c).

(b) Capital commitments

As at 31 December 2019, the Group had capital commitments relating to the investments in equity securities and developments of investment properties of approximately $536,388,000 in aggregate (2018: investment in equity securities of approximately $82,660,000).

35 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2019 $'000	2018 $'000
Short-term employee benefits	5,724	6,437
Post-employment benefits	80	72
	5,804	6,509

(b) Other related party transactions

The Group had the following material transactions with related parties during the year:

	Note	2019 $'000	2018 $'000
Transactions with companies controlled by the ultimate controlling shareholder of the Company:			
(Repayment of borrowings)/borrowings obtained from related parties	(i)	(13,226)	13,226
Increase in advances from related parties	(i)	74,467	49,815
Marketing, event planning and consulting services	(ii)	9,534	–
Other service income	(i)	8,623	2,729
Transactions with non-controlling shareholders of subsidiaries:			
Purchase of air tickets	(ii)	194,765	227,466
Management service fee	(ii)	240	880
Net proceeds from air tickets and travel related services sold	(i)	97	132
Interest-free loan obtained from a non-controlling shareholder	(i)	72,925	–
Finance costs in connection with interest-free loan from non-controlling shareholders	(i)	2,535	–
Transactions with associates:			
Finance income in connection with interest-free loan to an associate		826	653
Loans to associates		–	143,850
Travel related service income		3,161	–

Notes:

(i) These related party transactions constitute exempted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(iii) As disclosed in Note 8, during the year ended 31 December 2019, the Group disposed of its 100% equity interest in the OVIF Group to the controlling shareholder of the Company, Mr. Shi Baodong. The transaction constitutes a connected transaction as defined under Chapter 14A of the Listing Rules.

36 Company-level statement of financial position

	Note	2019 $'000	2018 $'000
Non-current assets			
Property, plant and equipment		212	440
Investments in subsidiaries	16	–	–
		212	440
Current assets			
Prepayments, deposits and other receivables		1,199	6,136
Amounts due from subsidiaries		687,547	717,497
Restricted bank deposits		–	10,200
Cash and cash equivalents		6,861	61,075
		695,607	794,908
Current liabilities			
Other payables and accruals		7,128	9,462
Amounts due to subsidiaries		73,232	68,400
Amounts due to related parties		15,094	98
Lease liabilities		146	–
		95,600	77,960
Net current assets		600,007	716,948
NET ASSETS		600,219	717,388
CAPITAL AND RESERVES	31		
Share capital		64,610	63,750
Perpetual convertible securities	32	296,274	396,274
Reserves		239,335	257,364
TOTAL EQUITY		600,219	717,388

Approved and authorised for issue by the board of directors on 31 March 2020.

Shi Baodong	**Mo Yueming**
Chairman	Director

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

37 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit standings, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Group's concentration of credit risk is mainly in Hong Kong and Mainland China by geographical location. The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2019		
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	0.50%	41,993	(212)
1–90 days past due	0.61%	11,469	(70)
91–180 days past due	1.00%	201	(2)
181–365 days past due	1.32%	151	(2)
365–730 days past due	77.23%	1,524	(1,177)
		55,338	(1,463)

37 Financial risk management and fair values of financial instruments *(continued)*

(a) Credit risk *(continued)*

	2018		
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	0.36%	11,441	(41)
1–90 days past due	0.38%	13,063	(50)
91–180 days past due	3.71%	751	(28)
181–365 days past due	6.31%	272	(17)
365–730 days past due	7.57%	203	(16)
		25,730	(152)

Expected loss rates are based on actual loss experience over the past 4 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 $'000	2018 $'000
Balance at 1 January	**152**	167
Impairment losses recognised during the year	**1,327**	18
Decrease through disposal of discontinued operation	**(16)**	(33)
Balance at 31 December	**1,463**	152

(b) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings.

37 Financial risk management and fair values of financial instruments *(continued)*

(b) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2019				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount $'000
Trade payables	40,338	–	–	40,338	40,338
Financial liabilities included in other payables and accruals	278,177	–	–	278,177	278,177
Lease liabilities (Note)	4,100	1,353	620	6,073	5,825
Short-term borrowings	18,326	–	–	18,326	17,935
Long-term borrowings	–	118,795	–	118,795	109,387
Provisions	994	1,181	4,381	6,556	4,443
	341,935	121,329	5,001	468,265	456,105

	2018	
	Contractual undiscounted cash outflow within 1 year or on demand $'000	Carrying amount $'000
Trade payables	26,701	26,701
Financial liabilities included in other payables and accruals	170,209	170,209
Short-term borrowings	13,754	13,226
	210,664	210,136

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and there is no impact to the opening balances at 1 January 2019 relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities represent amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See Note 2(c).

37 Financial risk management and fair values of financial instruments *(continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from the Group's interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's exposure to interest rate risk is not significant.

(d) Currency risk

The Group operates in Hong Kong, Mainland China and New Zealand and is exposed to currency risk primarily through receivables, payables, cash and deposit balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group has certain investments in Mainland China and New Zealand, whose net assets are exposed to translation risk.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rates at the end of the reporting period.

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	2019			2018		
	RMB	**United States dollars**	**New Zealand dollars**	RMB	United States dollars	New Zealand dollars
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Cash and cash equivalents	**2,589**	**927**	**716**	34,414	947	732
Other receivables	**25,844**	**–**	**19,866**	141,898	–	–
Exposure arising from recognised assets and liabilities	**28,433**	**927**	**20,582**	176,312	947	732

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB and NZD exchange rate, with all other variables held constant, of the Group's loss after tax. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

Results of the analysis as presented in the below table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

37 Financial risk management and fair values of financial instruments *(continued)*

(d) Currency risk *(continued)*

	2019		
	Change in foreign currency rate	Decrease/ (increase) in loss after tax $'000	Increase/ (decrease) in equity $'000
If Hong Kong dollar weakens against RMB	5%	1,422	1,422
If Hong Kong dollar strengthens against RMB	−5%	(1,422)	(1,422)
If Hong Kong dollar weakens against NZD	5%	1,029	1,029
If Hong Kong dollar strengthens against NZD	−5%	(1,029)	(1,029)

	2018		
	Change in foreign currency rate	Decrease/ (increase) in loss after tax $'000	Increase/ (decrease) in equity $'000
If Hong Kong dollar weakens against RMB	5%	8,816	8,816
If Hong Kong dollar strengthens against RMB	−5%	(8,816)	(8,816)
If Hong Kong dollar weakens against NZD	5%	37	37
If Hong Kong dollar strengthens against NZD	−5%	(37)	(37)

(e) Fair value measurement

Management has assessed that the fair value of cash and cash equivalents, restricted bank deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, and short-term borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Long-term borrowings and lease liabilities have been measured at fair value at initial recognition and subsequently measured at amortised cost using the effective interest method. Management has assessed that their fair value approximate to the carrying amount.

Provisions, representing the contingent consideration payable arising from the acquisition of Jinlv Shidai, have been measured at fair value and categorised into Level 3 of fair value hierarchy (see Note 33(b)).

During the year ended 31 December 2019 and 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

38 Non-adjusting events after the reporting period

(a) Distribution to holders of the 2016 October PCS

On 9 March 2020, the Company announced to cancel the distribution to holders of the 2016 October PCS, which was scheduled to be made on 24 April 2020 at the distribution rate of 6% per annum.

(b) Disposal of interest in China Comfort

On 26 March 2020, the Group entered into an equity transfer agreement with Orient Victory Cultural Tourism Group Co., Limited ("OVCT") to sell its 49% equity interest in China Comfort at a cash consideration of RMB320,000,000 (equivalent to approximately $358,400,000). Under the agreement, upon the completion of such transaction, OVCT will also repay on behalf of China Comfort its borrowings from the Group at the amount of RMB32,340,000 (equivalent to approximately $36,221,000). Pursuant to the agreement, on 27 March 2020, OVCT has paid deposit of RMB32,000,000 (equivalent to approximately $35,840,000) to the Group.

(c) Impact of the coronavirus outbreak

The coronavirus outbreak since early 2020 has brought additional uncertainties to the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: negotiating with suppliers, service providers and customers to postpone selling tourism-related products and services, continuously monitoring the collection of trade receivables from customers and implementing comprehensive cost containment plans. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the coronavirus outbreak may cause decline in tourism-related sales as travelling is restricted and the business of some tourism attractions is suspended. Management of the Company consider that such impact is temporary and could be reduced as the Group's tourism-related operations are expected to be gradually resumed upon cessation of the coronavirus outbreak. Based on the information currently available, the management estimated that the coronavirus outbreak may impact the procurement willingness and payment abilities of certain small and medium-sized customers, mainly travel agents, and as a result, may lead to impairment losses on trade receivables and sales reduction from these customers in future periods. Such impact has not been reflected in the consolidated financial statements as at 31 December 2019.

Up to the date of this report, the Group is still in the process of assessing the impacts of the coronavirus outbreak on the performance of the relevant segments and is currently unable to estimate the quantitative impacts to the Group. The Group will pay close attention to the development of the coronavirus outbreak and continue to perform assessment of its impact and take relevant measures.

(Expressed in HK$ unless otherwise indicated)

39 Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(c). The restatement of comparative information is attributable to the discontinued operations as disclosed in Note 8.

40 Immediate and ultimate controlling party

At 31 December 2019, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be OVRE, which is incorporated in the BVI, and Mr. Shi Baodong, respectively. OVRE does not produce financial statements available for public use.

41 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

31 December 2019
(Expressed in HK$)

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the published audited financial statements is set our below:

Results

For the year ended 31 December

	2019 $'000	2018 $'000 (restated)	2017 $'000 (restated)	2016 $'000	2015 $'000
Continuing operations:					
Revenue	**475,999**	248,342	238,030	109,417	66,444
(Loss)/profit before income tax	**(17,361)**	(57,060)	(52,867)	(194,065)	829
Income tax	**(5,558)**	–	(36)	–	20
(Loss)/profit for the year	**(22,919)**	(57,060)	(52,903)	(194,065)	849
Discontinued operations:					
Loss for the year	**(1,063)**	(833)	(3,128)	–	–
(Loss)/profit for the year	**(23,982)**	(57,893)	(56,031)	(194,065)	849
Attributable to:					
Equity owners of the Company					
Continuing operations	**(33,034)**	(55,564)	(45,106)	(191,816)	1,369
Discontinued operations	**(1,063)**	(514)	(1,740)	–	–
	(34,097)	(56,078)	(46,846)	(191,816)	1,369
Non-controlling interests					
Continuing operations	**10,115**	(1,496)	(7,797)	(2,249)	(520)
Discontinued operations	**–**	(319)	(1,388)	–	–
	10,115	(1,815)	(9,185)	(2,249)	(520)
(Loss)/profit for the year	**(23,982)**	(57,893)	(56,031)	(194,065)	849

Assets and liabilities

As at 31 December

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Total assets	**1,190,925**	1,002,609	926,022	823,178	943,382
Total liabilities	**(484,763)**	(218,149)	(67,698)	(80,825)	(552,278)
Net assets	**706,162**	784,460	858,324	742,353	391,104
Attributable to:					
Equity owners of the Company	**606,591**	743,600	851,772	738,537	384,796
Non-controlling interests	**99,571**	40,860	6,552	3,816	6,308
Total equity	**706,162**	784,460	858,324	742,353	391,104