WORLDSEC LIMITED

Annual Report for the year ended 31 December 2019

CORPORATE INFORMATION

Board of Directors

Non-Executive Chairman
Alastair GUNN-FORBES*

Executive Directors
Henry Ying Chew CHEONG (Deputy Chairman)
Ernest Chiu Shun SHE

Non-Executive Directors
Mark Chung FONG*
Martyn Stuart WELLS*
Stephen Lister d'Anyers WILLIS* (appointed on 3 June 2019)

** independent*

Company Secretary
Vistra Company Secretaries Limited
First Floor, Templeback, 10 Temple Back, Bristol, BS1 6FL, United Kingdom

Assistant Company Secretary
Ocorian Services (Bermuda) Limited
Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda

Registered Office Address
Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda

Registration Number
EC21466 Bermuda

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road, Central, Hong Kong

External Auditor
BDO Limited
25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong

Principal Share Registrar and Transfer Office
Ocorian Management (Bermuda) Ltd.
Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda

International Branch Registrar
Link Market Services (Jersey) Limited
12 Castle Street, St Helier, JE2 3RT, Jersey, Channel Islands

United Kingdom Transfer Agent
Link Asset Services
The Registry, 34 Beckenham Rd, Beckenham, Kent, BR3 4TU, United Kingdom

Investor Relations
For further information about Worldsec Limited, please contact:
Henry Ying Chew CHEONG
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Company's Website
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Chairman's Statement

RESULTS AND REVIEW

During the year ended 31 December 2019, the audited consolidated loss of Worldsec Limited (the "Company") and its subsidiaries (together the "Group") was US$704,000, compared with a loss of US$803,000 in 2018. Loss per share was US0.83 cent (2018: US1.03 cents). Net asset value per share was US5.5 cents (2018: US6.3 cents). Detailed discussion of the results and financial position of the Group is set out in the directors' report on pages 3 to 18.

During the year under review, the Group made a new investment in an internet technology company called Beijing ByteDance Technology Co. Ltd. ("ByteDance") through the Unicorn Equity Investment Portfolio Class D Shares of the Homaer Asset Management Master Fund SPC (the "Homaer Fund"). ByteDance has created a rapidly expanding mobile application universe that has at least 21 products, ranging from a news aggregator to a video-sharing social platform to productivity management tools, the combined monthly active users of which totalled 1.5 billion in 2019.

PROSPECTS

The outbreak of the COVID-19 pandemic has disrupted business and economic activities across the globe in unprecedented ways. In order to avoid a large number of deaths and the collapse of the medical health care systems, governments around the world have chosen to institute lockdowns of their populations as a means to contain and suppress the spread of the coronavirus. Such measures have inevitably caused enormous social and economic consequences resulting in rapidly rising unemployment, huge disruptions to the supply chains, and increasing problems in trade credit and financing management, just to name a few. To add to the woes, instead of cooperating to fight the disease and to coordinate the smooth delivery and better usage of the already inadequate protective medical equipment around the world, there are politicians who are using this pandemic to engage in blaming games for their political gains. In attempting to prevent a colossal meltdown, governments of leading economies have put in, both monetary and fiscal, stimulus financial packages of unprecedented scale to stabilize economic activities. However, until the finding of an effective and safe vaccine, COVID-19 will remain a major threat to the health of the global economy.

Despite the signing by China and the United States of the "phase one" trade agreement in early 2020, there remain major and difficult issues outstanding and unresolved. Further hard negotiations are expected to follow. Similarly, detailed exit obligations have yet to be concluded between the United Kingdom (the "UK") and the European Union; and there are no signs of the geopolitical tensions in the Middle East easing.

Sickened by the COVID-19 pandemic, world stock markets have experienced significant volatile swings recently, and asset prices have been under pressure. Nonetheless, notwithstanding the recent market gyrations, with the beginning of the lockdown restrictions easing in certain European countries and the start of COVID-19 vaccine trials on humans, investors with longer term perspectives could look through the crisis to seek out opportunities for investments with improved return potential. In this regard, and with its capital base and financial resources strengthened in 2018, I am confident that the Group will continue to make progress in expanding its investment portfolio in accordance with the Company's investment objective

NOTE OF APPRECIATION

I wish to thank my fellow directors and staff for their efforts and contributions made during the year ended 31 December 2019. I would also like to extend a note of appreciation to shareholders for their continued support of the Company.

Alastair Gunn-Forbes
Non-Executive Chairman
24 April 2020

DIRECTORS' REPORT

The directors submit the annual report of the Company and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries are primarily engaged in investment in unlisted companies in the Greater China and South East Asian region.

RESULTS AND FINANCIAL POSITION

The audited consolidated loss of the Company and its subsidiaries for the year ended 31 December 2019 was US$704,000, compared with a loss of US$803,000 in 2018. Loss per share was US0.83 cent (2018: US1.03 cents). The decrease in the loss was principally due to a reduction in the negative change in the fair value of financial assets that was recognised through the profit and loss account in accordance with International Financial Reporting Standard 9 ("IFRS 9").

During the year under review, dividends received from the Group's investment in the ICBC Specialised Ship Leasing Investment Fund (the "ICBC Shipping Fund") continued to provide a stable return, generating revenue in the amount of US$96,000. In addition, interest income received from the Group's investment in the term loan issued by a subsidiary of Guangzhou R&F Properties Co., Ltd. (the "Term Loan") amounted to US$44,000. The amount of the Term Loan of US$850,000 that remained outstanding was due for repayment on 15 October 2019 but was redeemed on 2 August 2019 under an early redemption clause.

As at 31 December 2019, the net assets of the Group amounted to US$4.7 million (2018: US$5.4 million), equivalent to US5.5 cents per share (2018: US6.3 cents). Cash and cash equivalents declined to US$1.6 million from US$2.6 million a year ago, reflecting basically the use of cash resources in operating and investing activities. While the outstanding amount of US$850,000 of the Group's investment in the Term Loan, which was previously carried as other financial assets at amortized cost, was early redeemed, the Group made a new investment of US$1 million in ByteDance through the Homaer Fund, which was classified under financial assets at fair value through profit and loss.

Further details of the Group's results and financial position are set out in the consolidated statement of profit or loss and other comprehensive income on page 25, the consolidated statement of financial position on page 26 and notes to the consolidated financial statements on pages 29 to 73.

The Board does not propose to declare any dividend for the year ended 31 December 2019 (2018: nil).

REVIEW

The Company is a closed-ended investment company with a premium listing under Chapter 15 of the Listing Rules of the Financial Conduct Authority in the UK. In accordance with the Company's investment policy, a copy of which is set out on page 74, the investment strategy of the Group focuses on investing in small to medium sized trading companies based mainly in the Greater China and South East Asian region with a view to building a diversified portfolio of minority investments in such companies. The investment objective of the Company is to achieve attractive investment returns through capital appreciation on a medium to long term horizon. To spread the investment risk of the Group, none of the Group's investments at the time when made exceeded 20% of its gross assets.

DIRECTORS' REPORT (CONTINUED)

Velocity Mobile Limited ("Velocity"), an unlisted investee company of the Group, is the holding company of a technology group that provides real-time lifestyle mobile applications for premium consumers focusing on the areas of dining, travel, experiences and luxury goods. As reflected by the increase in revenue generated per employee during the year under review, the Velocity group continued to achieve productivity gains thanks to the efficacy and efficiency of its proprietary technology. There was also strong growth in gross profit margin, largely driven by the rising contribution from Velocity for Business, a white-label product designed for enterprise customers which was launched in the third quarter of 2018, as well as improved working capital terms with key suppliers. As a result, the financial performance of the Velocity group continued to show encouraging progress. In December 2019, the Velocity group secured another round of fundraising through the issue of an unsecured convertible loan note.

ayondo Ltd ("Ayondo") - Ayondo, an investee company of the Group listed on the Catalist of the Singapore Exchange, is the holding company of a financial technology group that focused on social trading activity. The financial performance of the Ayondo group in 2018 and 2019 was negatively impacted due to changes relating to product intervention imposed by European and UK regulators, including in particular the limiting of leverages for contracts-for-difference which was the core product of the Ayondo group. Under the financial difficulty and stress that ensued, the Ayondo group proceeded with a restructuring of its business. During the year under review, the Ayondo group disposed of ayondo Markets Ltd., a key operating subsidiary, and filed for the insolvency of ayondo GmBH, another key operating subsidiary. In the absence of continued contributions from these subsidiaries, the Ayondo group had minimal operating activities. Meanwhile, as part of its restructuring initiatives and with the intention to shift its focus to Asia, the Ayondo group entered into and subsequently secured shareholder approval for a number of conditional agreements involving the issue of three separate convertible notes (the "Convertible Notes") totalling S$9.9 million with a conversion price of S$0.007 per share to Golden Nugget Jinzhuan Limited ("GN") and a GN shareholder. GN operates a social investing platform, iMaibo.net, for Asian, European and other global contracts-for-difference to facilitate investment-related business, via its network of social media influencers, key opinion leaders and their followers, and third party service and product providers. Since its inception in 2013, GN's platform has built a user base with over 3.5 million registered users.

Trading in the shares of Ayondo has been suspended since February 2019. In view of the conversion price of the Convertible Notes, however, further downward adjustment to the fair value of the Group's investment in Ayondo was made as at 31 December 2019.

Agrios Global Holdings Ltd. ("Agrios") – Agrios, an investee company of the Group listed on the Canadian Securities Exchange, is the holding company of a data analytics driven agriculture technology and service group that owns, leases and manages properties and equipment for eco-sustainable agronomy and provides advisory services for aeroponic cultivation to the cannabis industry. During the year under review, the Agrois group generated under various contracts with a client in the Washington State of the U.S. quarterly rental, product and service fees of between US$708,000 and US$1.5 million. However, as the majority of such revenue had not been collected and was carried under accounts receivable, the cash resources of the Agrios group had been adversely affected. To fund the short term needs of its operations, the Agrios group raised, through the issue of a number of unsecured convertible debentures with a conversion price of between C$0.37 and C$0.50 per share, a total of US$3.2 million (including two drawdowns totalling US$1.5 million under a convertible credit facility of US$5.5 million). Furthermore, in order to cut down operating expenses, the Agrios group had taken steps to reduce its administrative employee levels and its outside consulting commitments. Meanwhile, the 65%-owned joint venture of the Agrios group, Yunnan Hua Ma Biological Development Co. Ltd., successfully obtained an industrial hemp cultivation permit, an import and export permit and a food trading permit in the Yunnan Province in China.

DIRECTORS' REPORT (CONTINUED)

In line with the correction in the Canadian Marijuana Index which tracks the share price performance of leading cannabis stocks operating in Canada, the share price of Agrios fell during the year under review closing at C$0.20. Accordingly, further downward adjustment to the fair value of the Group's investment in Agrios was made as at 31 December 2019.

Oasis Education Group Limited ("Oasis Education") – Oasis Education is a 50% joint venture of the Group. The operating subsidiary of Oasis Education, Oasis Education Consulting (Shenzhen) Company Limited (奧偉詩教育諮詢(深圳)有限公司, "Oasis Shenzhen") provides consulting and support services to the Huizhou Kindergarten in the Guangdong Province in China. The Huizhou Kindergarten, which graduated 78 pupils in the summer of 2019, has enrolled 18 new pupils for the academic term commencing in February 2020, bringing its total pupil enrolment to 209. During the year under review, a Notice issued by the State Council of the People's Republic of China (the "State Council") specified that existing private kindergartens in urban communities should be handed over to local education authorities and turned into public kindergartens or non-profit, inclusive private ones. However, details relating to the implementation of the requirements set out in the Notice remain unclear.

ByteDance through the Homaer Fund – During the year under review, the Group invested US$1 million in the Homaer Fund, the sole investment of which is an equity interest in ByteDance. Headquartered in Beijing, China, ByteDance is a technology group operating machine learning-enabled content platforms across cultures and geographies. It has a portfolio of mobile applications that is available in over 150 markets and 75 languages and that includes Toutiao, Helo, TikTok, Douyin, News Republic, Vigo Video, Huoshan, Xigua Video, TopBuzz, BuzzVideo and FaceU. Launched in 2016, Douyin, a video-sharing social platform, is generally regarded as the most popular mobile applications of ByteDance and has an international version known as TikTok. Downloaded 738 million times in 2019 raising the total number of downloads to over 1.5 billion, TikTok was the seventh-most downloaded mobile applications of the 2010s. As of July 2019, Bytedance had daily active users exceeding 700 million and monthly active users of more than 1.5 billion around the world.

As mentioned in the section headed "Results and Financial Position" on page 3, during the year under review, the Group's investment in the ICBC Shipping Fund generated dividend income amounting to US$96,000 while its investment in the Term Loan contributed interest income amounting to US$44,000.

Subsequent to the year end, Worldsec International N.V., a wholly-owned subsidiary of the Group which was engaged in agency stockbroking services in the 1990s, completed its voluntary liquidation.

PROSPECTS

In this torrid time of the COVID-19 pandemic, the Group's investment in the ICBC Shipping Fund will continue to generate a steady recurring income at a favourable yield particularly under the renewed accommodative easing environment. The outlook for the other investments of the Group, with the exception of ByteDance, is however less than sanguine in the short term.

With its mobile applications focusing on the sectors of dining, travel, experiences and luxury goods that have been hard hit by the COVID-19 pandemic and the consequent lockdown measures, the Velocity group is expected to face serious challenges. Nevertheless, the Velocity group has demonstrated a track record capable of monetizing its captured user base of premium consumers under rapidly changing and challenging circumstances.

DIRECTORS' REPORT (CONTINUED)

The Ayondo group is in the process of rebuilding its business. It has recently entered into a non-binding term sheet in relation to the proposed acquisition (the "Proposed Acquisition") of a licensed moneylender, Rich Glory International Investment Ltd, in Hong Kong (the "Moneylender"). The Proposed Acquisition will be subject to shareholder approval and, if undertaken and completed, will involve the issue of Ayondo shares to the vendor of the Moneylender who will become a controlling shareholder of Ayondo. As the Proposed Acquisition was introduced by GN, there would be the possibility that certain cross business relationships would eventually be established with GN who, through the conversion of the Convertible Notes, could also become a significant and possibly a controlling shareholder of Ayondo.

The impact of the COVID-19 pandemic on the cannabis industry appears to be mixed. Although there are reports of sales spikes of cannabis in certain regions in the United States and Canada due to stockpiling by consumers, there are equally reports of plunges in sales in other regions because of the lockdown measures to control the spread of the coronavirus. Smoking marijuana could also increase the risk of complications caused by COVID-19 according to various medical opinions. While reading the cannabis leaves will not provide any insight into the Agrios group's future financial performance, the Agrios group, with a substantial amount of the previously arranged US$5.5 million convertible credit facility remaining available, does have strengthened wherewithal that could help weather the pandemic storm.

The outlook for the Huizhou Kindergarten, to which Oasis Shenzhen provides consulting and support services, remains somewhat uncertain pending the clarification of the State Council's Notice on the future development and operations of kindergartens in urban communities. The requirements set out in the Notice, if implemented fully, may have an adverse impact on the levels of kindergarten tuition fees that may be charged. Meanwhile, kindergarten classes across China, including those of the Huizhou Kindergarten, remain suspended. But with the number of new confirmed cases of coronavirus significantly reduced and contained, the suspension of education activities is expected to ease gradually.

The suppression measures to control the spread of COVID-19, including in particular, the lockdowns and social distancing, have kept people homebound and have consequently led to increased online communications and entertainment. On this note, positive development by Bytedance on the global market could be anticipated. Benefitting from homebound audiences, Tiktok has seen surges in viewerships and downloads during the lockdown period. Capitalizing on the rapidly growing reputation and market share of TikTok, Bytedance has been active in expanding its operations geographically and towards other realms. In its quest for continued global expansion, the most challenging task of ByteDance is to convince users and foreign governments that its system of control is adequate to protect user privacy and freedom of speech. Given the rise in national protectionism, this would certainly not be a task to envy.

As the Group's investee companies and other investments, with the exception of the ICBC Shipping Fund, are adversely affected by the COVID-19 pandemic or remain at a relatively early development phase, they are not expected in the foreseeable future to contribute in any meaningful way to the results of the Group, save for any positive or negative fair value change that may be recognized under IFRS 9. On the broader front, the 2020 investment environment is even more challenging than previous years with the COVID-19 crisis and other unexpected natural disasters adding extra uncertainty and pressure to the ongoing political and trade tensions. The monetary and fiscal stimulus financial packages of unprecedented scale put forward by governments of developed and developing nations may temporarily provide cash flows and ease credit conditions but such measures are not expected to save the global economy from recession. The COVID-19 crisis has resulted in more than a deadly pandemic. It also highlighted the imbalanced international systems of the modern world. There is an urgent need to find an effective and safe vaccine, but equally urgent is for governments of leading economies to examine and redefine all international systems, be it trade, supply chains, cash flows, financial credits, technology, innovation, etc so as to ensure retaining the best features of globalization and avoid disintegration. However, the reverberation of the political responses to the COVID-19 pandemic seems to indicate that there will be changes in the world order, probably not for the better. For a long term and sustainable recovery, collaboration among governments of leading economies is essential. In this torrid and uncertain time of the COVID-19 pandemic with asset prices under pressure, the Group will continue to exercise care and diligence in identifying appropriate investments with good return potential to further expand its investment portfolio in accordance with the Company's investment policy.

DIRECTORS

The directors during the year under review and up to the date of this report were:

Non-Executive Chairman
Alastair Gunn-Forbes*

Executive Directors
Henry Ying Chew Cheong
Ernest Chiu Shun She

Non-Executive Directors
Mark Chung Fong*
Martyn Stuart Wells*
Stephen Lister d'Anyers Willis*

** independent*

Brief biographical notes of the directors serving at the date of this report are set out on pages 75 to 77.

Save as disclosed in this report and in note 27 to the consolidated financial statements on page 71, none of the directors had during the year under review or at the end of the year a material interest, directly or indirectly, in any contract of significance with the Company or any of its subsidiaries.

As previously announced, in order to strengthen the Board, the Company has appointed Mr Stephen Lister d'Anyers Willis as non-executive director and member of the Audit Committee and the Remuneration Committee. His appointment was subsequently confirmed by shareholders in the Annual General Meeting held on 12 July 2019.

Messrs Alastair Gunn-Forbes and Mark Chung Fong have served on the Board for more than nine years. (In accordance with Provision 21 of the UK Corporate Governance Code on corporate governance published in July 2018 by the Financial Reporting Council of the United Kingdom (the "Code"), both Messrs Alastair Gunn-Forbes and Mark Chung Fong retired by rotation and were re-elected to office by separate resolutions passed at the Annual General Meeting held on 12 July 2019.) During the past nine year period, however, neither of them has had any major interest in the issued share capital of the Company, has been an employee or involved in the daily management of any of the Group companies, or has had any material relationship with any of the Group companies or any of the major shareholders or managers of any such companies other than being a member of the Board. Accordingly, and in accordance with Provision 10 of the Code, the Board has determined that their independence and objectivity have not been impaired and that they will therefore be able to continue to act independently in character and judgement.

DIRECTORS' REPORT (CONTINUED)

At the Annual General Meeting held on 29 September 2014, shareholders approved the inclusion of the Group's non-executive directors as eligible participants of the Worldsec Employee Share Option Scheme 1997 (the "Scheme"). As explained in the 2014 annual report of the Company, the reason for such inclusion was to enable the Group to reward its non-executive directors for their commitments to the Company beyond the nominal annual fees that the Group could afford to pay during its development stage. Accordingly, and in accordance with Provision 10 of the Code, given such circumstances, the Board has determined that the participation of Messrs Alastair Gunn-Forbes, Mark Chung Fong, Martyn Stuart Wells and Stephen Lister d'Anyers Willis in the Scheme will not affect their ability to act independently in character and judgement.

DIRECTORS' INTERESTS

The interests of the individuals who were directors during the year under review in the issued share capital of the Company, including the interests of persons connected with a director (within the meaning of Sections 252, 253 to 255 of the United Kingdom Companies Act 2006 as if the Company were incorporated in England), the existence of which was known to, or could with reasonable diligence be ascertained by, that director, whether or not held through another party, were as follows:

	At 1 January 2019 No. of shares	At 31 December 2019 No. of shares
Alastair Gunn-Forbes	45,000	45,000
Henry Ying Chew Cheong (Note i)	11,722,620	11,722,620
Mark Chung Fong	Nil	Nil
Ernest Chiu Shun She	550,095	550,095
Martyn Stuart Wells	Nil	Nil
Stephen Lister d'Anyers Willis	16,000	16,000

Notes: (i) Mr Henry Ying Chew Cheong ("Mr Cheong") wholly owns HC Investment Holdings Limited ("HCIH"). HCIH beneficially owned 20,000,000 ordinary shares of US$0.001 each in the Company at 1 January 2019 and 31 December 2019, respectively.

In total, Mr Cheong and his associates were the legal and beneficial owners of 31,722,620 ordinary shares of US$0.001 each in the Company, representing 37.3% of the Company's issued share capital, at 1 January 2019 and 31 December 2019, respectively. The Company and Mr Cheong entered into a relationship agreement on 2 August 2013 (the "Relationship Agreement"). Pursuant to the Relationship Agreement, Mr Cheong has agreed to exercise his rights as a shareholder at all times, and to procure that his associates exercise their rights, so as to ensure that the Company is capable of carrying on its business independently of Mr Cheong or any control which Mr Cheong or his associates may otherwise be able to exercise over the Company. Moreover, Mr Cheong has undertaken to ensure, so far as he is able to, that all transactions, relationships and agreements between Mr Cheong or his associates and the Company or any of its subsidiaries are on arms' length terms on a normal commercial basis. Mr Cheong and the Company have also agreed, amongst other things, that he will not participate in the deliberations of the Board in relation to any proposal to enter into any commercial arrangements with Mr Cheong or his associates.

	At 1 January 2019 No. of share options (Note i)	At 31 December 2019 No. of share options (Note ii)
Alastair Gunn-Forbes	500,000	850,000
Henry Ying Chew Cheong	500,000	850,000
Mark Chung Fong	500,000	850,000
Ernest Chiu Shun She	500,000	850,000
Martyn Stuart Wells	500,000	850,000
Stephen Lister d'Anyers Willis	Nil	Nil

Note: (i) The share options entitle the holders to subscribe on a one for one basis new ordinary shares of US$0.001 each in the Company at an exercise price of US$0.122 per share. The share options vested six months from the date of grant on 1 December 2015 and were then exercisable within a period of 9.5 years.

(ii) The additional share options entitle the holders to subscribe on a one for one basis new ordinary shares of US$0.001 each in the Company at an exercise price of US$ 0.034 per share. The share options vested six months from the date of grant on 29 May 2019 and were then exercisable within a period of 9.5 years.

Save as disclosed above, none of the above named directors had an interest, whether beneficial or non-beneficial, in any shares or debentures of any Group companies at the beginning or at the end of the year under review. Save as disclosed above, none of the above named directors, or members of their immediate families, held, exercised or were awarded any right to subscribe for any shares or debentures of any Group companies during the year.

The Board confirms that (i) the Company has complied with the independence provisions set out in the Relationship Agreement since it was entered into; and (ii) so far as the Company is aware, Mr Cheong and his associates have complied with the independence provisions set out in the Relationship Agreement since it was entered into and since 1 January 2019.

DIRECTORS' REMUNERATION

The remuneration of the directors for the year ended 31 December 2019 was as follows:

	Fees US$'000	Share-based payment expenses US$'000	Other emoluments US$'000	Total US$'000
Alastair Gunn-Forbes	13.1	7.2	-	20.3
Henry Ying Chew Cheong	13.1	7.2	-	20.3
Mark Chung Fong	13.1	7.2	-	20.3
Ernest Chiu Shun She	13.1	7.2	-	20.3
Martyn Stuart Wells	13.1	7.2	-	20.3
Stephen Lister d'Anyers Willis	7.5	-	-	7.5
	73.0	36.0	-	109.0

PROVIDENT FUND AND PENSION CONTRIBUTION FOR DIRECTORS

During the year under review, there was no provident fund and pension contribution for the directors.

DIRECTORS' REPORT (CONTINUED)

LETTERS OF APPOINTMENT/ SERVICE CONTRACTS

Messrs Alastair Gunn-Forbes, Mark Chung Fong and Martyn Stuart Wells, each has entered into a letter of appointment with the Company dated 28 November 2017, and Mr Stephen Lister d'Anyers Willis has entered into a letter of appointment with the Company dated 3 June 2019 to serve as non-executive director. Each of them is entitled to a fee of £10,000 per annum. The appointment may be terminated on one month notice in writing.

Messrs Henry Ying Chew Cheong and Ernest Chiu Shun She, each has entered into a letter of appointment with the Company dated 2 August 2013 to serve as executive director. Each of them is entitled to a fee of £10,000 per annum. The appointment may be terminated on not less than six month notice in writing.

All directors are eligible to participate in the Group's bonus arrangements under which bonuses may be granted at the discretion of the Remuneration Committee and the Board. No bonus was recommended for the year ended 31 December 2019.

Save as disclosed above, there are no existing or proposed letters of appointment or service contracts between any of the directors and the Company or any of its subsidiaries which cannot be determined without payment of compensation (other than any statutory compensation) within one year.

MAJOR INTERESTS IN SHARES

At 10 March 2020, the Company was aware of the following direct or indirect interests representing 5% or more of the Company's issued share capital:

	No. of shares	Percentage of issued share capital
HC Investment Holdings Limited (Note i)	20,000,000	23.5%
Yue Wai Keung	4,837,500	5.7%
Luis Chi Leung Tong	5,000,000	5.9%
Henry Ying Chew Cheong	11,722,620	13.8%
Aurora Nominees Limited (Note ii)	18,750,000	22.0%
Vidacos Nominees Limited (Note ii)	5,500,000	6.5%

Notes: (i) Mr Cheong is the legal and beneficial owner of the entire issued share capital of HC Investment Holdings Limited.

(ii) Aurora Nominees Limited and Vidacos Nominees Limited act as custodians for their customers, to whom they effectively pass all rights and entitlements, including voting rights.

INTERNAL CONTROL, RISK MANAGEMENT AND FINANCIAL REPORTING

The Board is responsible for establishing and maintaining appropriate systems of internal control and risk management to safeguard the Group's interests and assets. The control measures that have been put in place cover key areas of operations, finance and compliance and aim to manage rather than eliminate risks that are inherent in the running of the business of the Group. Accordingly, the Group's systems of internal control and risk management are expected to provide reasonable but not absolute assurance against material misstatements, loss or fraud.

DIRECTORS' REPORT (CONTINUED)

Amongst the control measures, the key steps that have been put in place include:

- the setting of the investment strategy and the approval of significant investment decisions of the Group by the Board to ensure consistency with the investment objective and compliance with the investment policy of the Company;
- the segregation of duties between the investment management and accounting functions of the Group;
- the adoption of written procedures in relation to the operations of the bank accounts of the Group;
- the adoption of written procedures to deal with conflicts of interests and related party transactions;
- the maintenance of proper accounting records providing with reasonable accuracy at any time information on the financial position of the Group;
- the review by the Board of the management accounts of the Group on a regular basis; and
- the engagement of external professionals to carry out company secretarial works for the Company and to assist the Group on compliance issues.

The Board considers the identification, evaluation and management of the principal risks faced by the Group under the changing environment to be an ongoing process and has kept under regular review the effectiveness of the Group's systems of internal control and risk management. The Board is satisfied that the arrangements that have been put in place represent an appropriate framework to meet the internal control and risk management requirements of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers that the principal risks and uncertainties that are relevant to the Group include:

Target market risk

Under the investment policy of the Company, the Group focuses on investing in small to medium sized trading companies based mainly in the Greater China and South East Asian region. Consequently, a sharp or prolonged downturn in the economic environment or a heightened uncertainty in the political environment in these target markets could adversely and seriously affect the underlying investments and hence the cash flows of the Group. This is clearly a risk factor beyond the Group's control. Nevertheless, in line with the investment policy of the Company, the Board will seek to invest in and maintain a diversified portfolio in order to spread the investment risk of the Group.

Investment opportunity risk

Notwithstanding the tightening in credit conditions for investment financing under the COVID-19 pandemic, the private equity space continues to be awash with investment capital and dry powder. Competition for quality deals therefore remains intense and aggressive, thus limiting the availability of investment opportunities for the Group. With the approval from shareholders, however, the Company has broadened its investment policy. This offers greater flexibility for the Group to make investment choices from a broader range of opportunities to achieve the Company's investment objective.

Key person risk

As the Group does not engage any external investment manager, the Board is responsible for overseeing the Group's investment management activities with frontline management duties delegated to the executive directors. The Group is therefore heavily dependent on the executive directors' abilities to identify and evaluate investment targets, execute and implement investment decisions, monitor investment performance and execute and implement exit decisions. Both of the executive directors, Messrs Henry Ying Chew Cheong and Ernest Chiu Shun She, have entered into a letter of appointment with the Company with a termination clause of not less than six month notice. Moreover, Mr Cheong is also the deputy chairman and a major shareholder beneficially holding a substantial interest in the Company's issued share capital.

Operational risks

The Group is exposed to various operational risks that are inherent in the running of its business, including, amongst others, the failure to comply with the investment policy of the Company, the failure to prevent misstatements, loss or fraud due to inadequacies in the Group's internal operational processes, and the failure to comply with applicable rules and regulations by the Group. As mitigating measures, the Board has established and maintained systems of internal control and risk management to safeguard the Group's interests and assets, details of which are set out in the section headed "Internal Control, Risk Management and Financial Reporting" on pages 10 to 11.

Financial risks

The Group is exposed to a variety of financial risks, including market risks, credit risk and liquidity risk, which arise from its operating and investment management activities. The Group's management of such risks is coordinated at the office of Worldsec Investment (Hong Kong) Limited, the principal operating subsidiary of the Group, in close cooperation with the Board. Details of the Group's approach on financial risk management are described in note 5(b) to the consolidated financial statements on pages 50 to 54.

COVID-19 pandemic risk

The COVID-19 pandemic and the consequent suppression measures have disrupted economic and business activities across the globe in unprecedented ways. This poses grave consequences seriously affecting the operations and financial performance of the corporate sector. The investee companies and other investments of the Group would not be immune to the ill effects of the COVID-19 pandemic. The disruptions in world financial markets also have a negative impact for investors to carry out investment exit strategies. Nonetheless, with the development of treatment drugs and vaccines for and the gradual easing of the suppression measures that have been put in place to control the spread of the coronavirus, the economic, business and investment environment is expected to gradually normalize and the risk associated with the COVID-19 pandemic would eventually subside.

VIABILITY STATEMENT

The directors have assessed the viability of the Company for the three years to 31 December 2022.

The directors consider that, for the purpose of this viability statement, a three year period is appropriate taking into account the Group's investment horizon under its investment strategy. Besides, there should unlikely be any significant change to most if not all of the principal risks and uncertainties facing the Group over the timeframe selected for the assessment.

In assessing the viability of the Company and its ability to meet liabilities as they fall due, the directors have taken into consideration, amongst others:

- the investment strategy of the Group;
- the current position including the existing financial status and cost structure of the Group;
- the prospects of and the industry outlook for the Group;
- the economic and political environment of the Greater China and South East Asian region, the primary target markets in which the Group focuses its investment; and
- the potential adverse impact of the principal risks and uncertainties facing the Group and the effectiveness of the mitigating measures that have been put in place, details of which are described in the section headed "Principal Risks and Uncertainties" on pages 11 to 12.

DIRECTORS' REPORT (CONTINUED)

The directors note, in particular, that the Group:

- has a liquid amount of unrestricted cash and bank balances;
- does not have any borrowings;
- does not have any commitments other than certain leases with modest outstanding rental payments; and
- has low operating expenses with a small but stable team under stringent cost control.

Accordingly, the directors are confident that the Company will be able to continue in operation and meet its liabilities as they fall due over the assessment period.

GOING CONCERN

After making careful enquiries, the directors have formed a judgement, at the time of approving the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019, that there was a reasonable expectation that the Group would have adequate resources to carry out its operations for a period of at least twelve months from the date of approving the consolidated financial statements. For this reason, the directors have adopted the going concern basis in preparing the consolidated financial statements.

CORPORATE GOVERNANCE

As a company with a premium listing on the Main Market of the London Stock Exchange, its business is subject to the principles contained in the Code, a copy of which is available on the website of the Financial Reporting Council of the United Kingdom. The Board confirms that, throughout the accounting period from 1 January to 31 December 2019, the Group complied with the relevant provisions of the Code, apart from certain exceptions set out and explained below.

The Board, comprising a non-executive chairman, three non-executive directors and two executive directors, is committed to maintaining a high standard of corporate governance. All non-executive directors are considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. All directors are able to take independent professional advice in furtherance of their duties, if necessary.

The Board is responsible for establishing strategic directions and setting objectives for the Company and making significant investment decisions and monitoring the performance of the Group. The management is responsible for the day to day running of the Group's operations.

BOARD MEETING

The Board held two meetings during the year under review and the table below gives the attendance record.

Director	Board Meeting
Alastair Gunn-Forbes	2/2
Henry Ying Chew Cheong	2/2
Ernest Chiu Shun She	2/2
Mark Chung Fong	2/2
Martyn Stuart Wells	2/2
Stephen Lister d'Anyers Willis	1/1

DIRECTORS' REPORT (CONTINUED)

Although the Board notes the requirement for a Nomination Committee (Provision 17 of the Code), to make recommendations to the Board on all new board appointments and to reassure shareholders of the suitability of a chosen director, the Board considers that, due to its small size and limited level of activities, it is not necessary to establish such a committee. The Board as a whole remains responsible for ensuring that a transparent, formal and rigorous process would be followed for any future board appointments, which would be made following a full review of the Board's balance of skills, experience, independence and knowledge. Any future recruitment process would also provide an opportunity to improve the diversity of the Board. The Board is satisfied that appropriate succession planning is in place for appointments to both the Board and senior management.

Again, due to its small size and limited level of activities, the Board has not appointed a senior independent director and did not consider an annual self-evaluation to be required during the year under review. The responsibilities normally rested with a senior independent director have been reverted to the Board as a whole. These decisions will be re-considered annually by the Board.

The Board established both an Audit Committee and a Remuneration Committee upon the re-activation of the Group's business in 2013. Details of these committees are set out below.

AUDIT COMMITTEE

The Audit Committee held two meetings during the year under review and the table below gives the attendance record.

Director	**Audit Committee Meeting**
Mark Chung Fong	2/2
Martyn Stuart Wells	2/2
Stephen Lister d'Anyers Willis	1/1

The Audit Committee is chaired by Mr Mark Chung Fong and its other current members are Messrs Martyn Stuart Wells and Stephen Lister d'Anyers Willis. The Audit Committee is appointed by the Board and the committee's membership is comprised wholly of non-executive directors.

The terms of reference of the Audit Committee (copies of which are available at the Company's registered office and the Company's website) generally follow, where applicable, those stated in the provisions of the Code.

The Audit Committee meets a minimum of two times a year and may be convened at other times if required. The responsibilities of the Audit Committee include, amongst others, the examination and review of the Group's risk management, internal financial controls and financial and accounting policies and practices, as well as overseeing and reviewing the work of the Company's external auditor, their independence and the fees paid to them.

During the year under review, the activities undertaken by the Audit Committee in discharge of its duties and functions included (i) the review and recommendation to the Board of the reappointment of BDO Limited as the Company's external auditor; (ii) the review and recommendation to the Board for approval of the annual report of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018; and (iii) the review and recommendation to the Board for approval of the interim report of the Company and the unaudited consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2019. In recommending the reappointment of BDO Limited, the Audit Committee has taken into consideration, amongst others, BDO Limited's independence, objectivity and terms of engagement.

DIRECTORS' REPORT (CONTINUED)

Subsequent to the year end, the activities that have been undertaken by the Audit Committee in relation to 2019 included (i) the review and recommendation to the Board of the annual report of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019; (ii) the monitoring of the effectiveness of the Group's risk management and internal financial controls; and (iii) the assessment of the effectiveness of the external audit process through feedback from the management involved in the audit and through interactions with and observations and review of the level of audit service provided.

As the scale of the operations of the Group remains relatively insubstantial, the Board has decided and the Audit Committee concurs that it would not be necessary or cost-effective to set up an internal audit function.

In connection with the review of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019, the Audit Committee has identified and reviewed two issues which it considered significant and details on these matters are set out in the table below.

Significant Reporting Issue	**Review and Assessment**
Impairment review of the Group's interests in respect of its 50% owned joint venture, Oasis Education – At 31 December 2019, the Group had an equity interest of US$87,000 in and an amount of US$257,000 due from Oasis Education. These carrying amounts were significant in the Group's context and their valuation was subject to judgments, estimates and assumptions.	The Audit Committee has (i) reviewed the operational and financial performance and the latest development of Oasis Education and its subsidiary; and (ii) assessed the assumptions underlying the cash flow projection for Oasis Education and its subsidiary as well as the reliability of such projection by comparing relevant historic budgets with actual results.
Valuation of equity investments classified as financial assets at fair value through profit or loss ("FVTPL") categorized within level 3 of the fair value hierarchy – At 31 December 2019, the Group had equity interests in the ICBC Shipping Fund, Velocity, Ayondo and the Homaer Fund, which were all accounted for as financial assets at FVTPL categorized within the level 3 of the fair value hierarchy, totalling US$2,388,000 and carried at fair value. These carrying amounts were significant in the Group's context and their valuation was subject to judgments and assumptions.	The Audit Committee has (i) reviewed the operational and financial performance and the latest development of the financial assets at FVTPL categorised within level 3 of the fair value hierarchy; and (ii) reviewed the valuation findings prepared by the management and discussed with the management the methodologies, assumptions and input parameters used in relation to such valuation.

BDO Limited was appointed as the external auditor of the Company in February 2015, since when audit services have not been tendered competitively. The Audit Committee has concluded that a competitive tender of audit services is not necessary at this time, but acknowledges that circumstances could arise where a competitive tender for audit services may be desirable. The performance of BDO Limited as the Company's external auditor will be kept under annual review, and if satisfactory, BDO Limited will be recommended by the Audit Committee for reappointment. There are, however, no contractual obligations that would restrict the Audit Committee's choice of external auditor for the Company.

DIRECTORS' REPORT (CONTINUED)

As advised by the Audit Committee and concurred with by the Board, the annual report of the Company and the audited consolidated financial statements for the year ended 31 December 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

REMUNERATION COMMITTEE

In accordance with Provision 32 of the Code, the Company has set up a Remuneration Committee. The Remuneration Committee held one meeting during the year under review and the table below gives the attendance record.

Director	Remuneration Committee Meeting
Martyn Stuart Wells	1/1
Mark Chung Fong	1/1
Alastair Gunn-Forbes	1/1
Stephen Lister d'Anyers Willis	Nil

The Remuneration Committee is chaired by Mr Martyn Stuart Wells and its other current members are Messrs Alastair Gunn-Forbes, Mark Chung Fong and Stephen Lister d'Anyers Willis. The Remuneration Committee is appointed by the Board and the committee's membership is comprised wholly of non-executive directors.

The terms of reference of the Remuneration Committee (copies of which are available at the Company's registered office and the Company's website) generally follow, where applicable, those stated in the provisions of the Code. They provide for the Remuneration Committee to meet at least two times a year. However, as the Group has a very small and stable workforce, the Remuneration Committee did not consider it meaningful or necessary to hold more than one meeting during the year under review.

The Remuneration Committee's responsibilities include, amongst others, the evaluation of the performance of the executive directors and senior staff, and the comparison of the Group's remuneration policy with similar organisations in the market to form the basis for the recommendations to the Board to determine the remuneration packages, which may include the grant of share options under the Scheme, for individual staff and director members.

In accordance with the Main Principle of Provision Q of the Code, no director has been involved in deciding his own remuneration.

During the year under review, the activities undertaken by the Remuneration Committee in discharge of its duties and functions included the review of and recommendation to the Board to retain the Group's previous remuneration arrangements.

WORLDSEC EMPLOYEE SHARE OPTION SCHEME 1997

During the year under review, the Company granted to certain eligible persons a total of 2,050,000 share options to subscribe for new ordinary shares of US$0.001 each in the Company under the Scheme. The share options vested six months from the date of grant and were then exercisable within a period of 9.5 years.

DIRECTORS' REPORT (CONTINUED)

The following table discloses the movements of the outstanding share options under the Scheme during the year under review.

		Number of options						
Grantee	**Exercisable period**	**Balance at 1 January 2019**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Lapsed during the year**	**Balance at 31 December 2019**	**Exercise price per share (US$)**
Directors	29 November 2019 to 28 May 2029	-	1,750,000	-	-	-	1,750,000	0.034
	1 June 2016 to 30 November 2025	2,500,000	-	-	-	-	2,500,000	0.122
Employees	29 November 2019 to 28 May 2029	-	300,000	-	-	-	300,000	0.034
	1 June 2016 to 30 November 2025	450,000	-	-	-	-	450,000	0.122
		2,950,000	2,050,000	-	-	-	5,000,000	

Further details relating to the granting of the share options are set out in note 26 to the consolidated financial statements on pages 69 to 71.

RELATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. Information about the Group's activities is provided in the annual report and the interim report of the Company which are sent to shareholders each year and are available on the website of the Company. All shareholders are encouraged to attend the Annual General Meeting at which directors are introduced and available for questions. Enquiries are dealt with in an informative and timely manner. Directors, including non-executive directors, are also available to meet with major shareholders on request.

EXTERNAL AUDITOR

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019 have been audited by BDO Limited.

A resolution will be submitted to the next Annual General Meeting to reappoint BDO Limited as the Company's external auditor.

On behalf of the Board

Henry Ying Chew Cheong
Executive Director
24 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required under the Bermuda Companies Act 1981 to prepare consolidated financial statements for each financial year. The directors acknowledge responsibility for the preparation of the consolidated financial statements for the year ended 31 December 2019, which give a true and fair view of the financial position of the Group as at the end of that financial year and of the financial performance of the Group for that year and which provide the necessary information for shareholders to assess the business activities and performance of the Group during that year. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that the above requirements have been met.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for the Group's system of internal financial controls, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The directors further confirm that, to the best of their knowledge and understanding, the chairman's statements on pages 1 to 2 and the directors' report on pages 3 to 18 include a fair review of the development and performance of the business and the position of the Company and its subsidiaries taken as a whole together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Henry Ying Chew Cheong
Executive Director
24 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WORLDSEC LIMITED
(incorporated in Bermuda with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Worldsec Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 25 to 73, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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.

IMPAIRMENT REVIEW OF INTEREST IN A JOINT VENTURE AND AMOUNT DUE FROM A JOINT VENTURE

Refer to note 17 to the consolidated financial statements

The Group owns a 50% in Oasis Education Group Limited ("Oasis Education"), which is accounted for using the equity method less any impairment loss. The interest in the joint venture amounted to approximately US$87,000 as at 31 December 2019 and the Group's share of its losses amounted to approximately US$12,000 for the year then ended.

In addition, the Group has advanced an amount of approximately US$257,000 to Oasis Education as at 31 December 2019, which is subject to an impairment assessment.

The impairment review of investment in, and amount due from, Oasis Education is considered by us as a key audit matter due to the significance of the carrying amounts subject to impairment review to the Group's consolidated financial statements taken as a whole and involvement of significant judgement made by management.

TO THE MEMBERS OF WORLDSEC LIMITED
(incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS (CONTINUED)

IMPAIRMENT REVIEW OF INTEREST IN A JOINT VENTURE AND AMOUNT DUE FROM A JOINT VENTURE (CONTINUED)

Our response:

Our audit procedures in relation to this matter included:

- Obtaining an update of the latest development of Oasis Education's operation;
- Assessing the financial performance of Oasis Education based on information provided by management;
- Evaluating management's considerations of the impairment indicators of the investment in, and the amount due from, Oasis Education;
- Assessing the appropriateness of the management's assumptions concerning the future cash flows to be generated from the operation of Oasis Education; and
- Assessing reliability of the joint venture's forecast by comparing historical budget to actual performance and obtaining explanations from management on any significant variances identified.

FAIR VALUE MEASUREMENT OF EQUITY INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") CATERGORISED WITHIN LEVEL 3 OF THE FAIR VALUE HIERARCHY

Refer to note 18 to the consolidated financial statements

As at 31 December 2019, the Group held certain equity interests in ICBC Specialised Ship Leasing Investment Fund ("ICBC Shipping Fund"), Velocity Mobile Limited ("Velocity"), Ayondo Ltd ("Ayondo") and Unicorn Equity Investment Portfolio Class D Shares of the Homaer Asset Management Master Fund SPC ("Homaer Fund"), which are all classified as financial assets at FVTPL with measurement categorised within the level 3 of the fair value hierarchy, totalling approximately US$2,388,000 as at 31 December 2019.

The fair value determination of these equity investments at the end of the reporting period involves the determination of appropriate valuation models as well as the selection of inputs and assumptions made by management. Different valuation models, inputs and assumptions applied may lead to a significant change in the fair value of these investments.

We identified fair value determination of these equity investments as a key audit matter because it involves a higher degree of estimation, uncertainty and judgement; and their carrying value is material to the Group's consolidated financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WORLDSEC LIMITED
(incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS (CONTINUED)

FAIR VALUE MEASUREMENT OF EQUITY INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS CATERGORISED WITHIN LEVEL 3 OF THE FAIR VALUE HIERARCHY (CONTINUED)

Our response:

Our audit procedures in relation to this matter included:

- Assessing the appropriateness of valuation methodologies applied on these equity investments;

- Evaluating the reasonableness and relevance of key inputs and assumptions used in the fair value determination; and

- Involving an auditor's expert to assist our assessment on the reasonableness and appropriateness of the valuation methodologies and key inputs and assumptions.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WORLDSEC LIMITED
(incorporated in Bermuda with limited liability)

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WORLDSEC LIMITED
(incorporated in Bermuda with limited liability)

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

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

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

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

REPORT ON OTHER REGULATORY REQUIREMENTS

Under the listing rules of the Financial Conduct Authority in the United Kingdom (the "Listing Rules"), we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review in accordance with Listing Rule 9.8.10R(2). We have nothing to report arising from our review.

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate Number P06262
Hong Kong, 24 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 US$'000	2018 US$'000
Revenue	7	**140**	136
Other income, gains and losses, net	9	**(179)**	(327)
Staff costs	10	**(320)**	(268)
Other expenses		**(328)**	(333)
Finance costs	11	**(5)**	-
Share of losses of a joint venture	17	**(12)**	(11)
Loss before income tax expense	12	**(704)**	(803)
Income tax expense	13	**-**	-
Loss for the year		**(704)**	(803)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of a joint venture	17	**(7)**	(19)
Other comprehensive income for the year, net of income tax		**(7)**	(19)
Total comprehensive income for the year		**(711)**	(822)
Loss for the year attributable to:			
Owners of the Company		**(704)**	(803)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(711)**	(822)
Loss per share - basic and diluted	14	**US (0.83) cent**	US (1.03) cents

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019	2018
		US$'000	US$'000
Non-current assets			
Property, plant and equipment	16	**-**	-
Interest in a joint venture	17	**87**	106
Financial assets at fair value through profit or loss	18	**2,470**	1,649
Right-of-use asset	19	**59**	-
		2,616	1,755
Current assets			
Other receivables		**393**	8
Deposits and prepayments		**28**	30
Other financial assets at amortised cost	20	**-**	850
Amount due from a joint venture	17	**257**	257
Cash and cash equivalents	22	**1,612**	2,607
		2,290	3,752
Current liabilities			
Other payables and accruals	23	**145**	138
Lease liabilities	19	**60**	-
		205	138
Net current assets		**2,085**	3,614
Net assets		**4,701**	5,369
Capital and reserves			
Share capital	24	**85**	85
Reserves	25	**4,616**	5,284
Total equity		**4,701**	5,369

The consolidated financial statements on pages 25 to 73 were approved and authorised for issue by the Board of Directors on 24 April 2020 and signed on its behalf by:

Alastair Gunn-Forbes
Director

Henry Ying Chew Cheong
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Equity attributable to owners of the Company							
	Share capital US$'000 (note 24)	Share premium US$'000 (note 25)	Contri-buted surplus US$'000 (note 25)	Share option reserve US$'000 (note 25)	Foreign currency translation reserve US$'000 (note 25)	Special reserve US$'000 (note 25)	Accumulated losses US$'000 (note 25)	Total US$'000
Balance at 1 January 2018	57	3,837	9,646	206	(11)	625	(11,884)	2,476
Loss for the year	-	-	-	-	-	-	(803)	(803)
Other comprehensive income for the year								
Share of other comprehensive income of a joint venture (note 17)	-	-	-	-	(19)	-	-	(19)
Total comprehensive income for the year	-	-	-	-	(19)	-	(803)	(822)
Issue of new shares by way of open offer	28	4,227	-	-	-	-	-	4,255
Transaction costs attributable to issue of new shares	-	(540)	-	-	-	-		(540)
Transaction with owners	28	3,687	-	-	-	-	-	3,715
Balance as at 31 December 2018 and 1 January 2019	85	7,524	9,646	206	(30)	625	(12,687)	5,369
Loss for the year	-	-	-	-	-	-	(704)	(704)
Other comprehensive income for the year								
Share of other comprehensive income of a joint venture (note 17)	-	-	-	-	(7)	-	-	(7)
Total comprehensive income for the year	-	-	-	-	(7)	-	(704)	(711)
Recognition of share-based payments (note 26)	-	-	-	43	-	-	-	43
Balance at 31 December 2019	**85**	**7,524**	**9,646**	**249**	**(37)**	**625**	**(13,391)**	**4,701**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019	2018
	US$'000	US$'000
Cash flows from operating activities		
Loss before income tax expense	**(704)**	(803)
Adjustments for:		
Bank interest income	**(1)**	(1)
Depreciation of right-of-use asset	**78**	-
Interest on lease liabilities	**5**	-
Share-based payment expenses	**43**	-
Share of losses of a joint venture	**12**	11
Change in fair value of financial asset at fair value through profit or loss	**179**	329
Operating loss before working capital changes	**(388)**	(464)
Decrease/(increase) in deposits and prepayments	**2**	(2)
Increase in other receivables	**(385)**	-
Increase/(decrease) in other payables and accruals	**7**	(10)
Net cash used in operating activities	**(764)**	(476)
Cash flows from investing activities		
Investment in financial assets at fair value through profit or loss	**(1,000)**	(249)
Investment in other financial assets at amortised cost	**-**	(1,000)
Repayment of other financial assets at amortised cost	**850**	150
Bank interest income received	**1**	1
Net cash used in investing activities	**(149)**	(1,098)
Cash flows from financing activities		
Proceeds from issue of new shares	**-**	4,255
Repayment for share issue costs	**-**	(334)
Repayment of principal portion of lease liabilities	**(77)**	-
Repayment of interest portion of lease liabilities	**(5)**	-
Net cash (used in)/from financing activities	**(82)**	3,921
Net (decrease)/increase in cash and cash equivalents	**(995)**	2,347
Cash and cash equivalents at the beginning of the year	**2,607**	260
Cash and cash equivalents at the end of the year	**1,612**	2,607

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Worldsec Limited (the "Company") is a public listed company incorporated in Bermuda and its shares are listed on the Main Market of the London Stock Exchange. The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business is Unit 607, 6th Floor, FWD Financial Centre, 308 Des Voeux Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 21 to the consolidated financial statements.

The functional currency of the Company is Hong Kong Dollars ("HK$"). The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") are presented in United States Dollars ("US$" or "USD").

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations adopted by the European Union ("EU") (collectively referred to as the "IFRSs").

2. APPLICATION OF NEW AND REVISED IFRSs

2.1 New and revised IFRSs applied

The following new and revised IFRSs have been applied by the Group in the current year.

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features and Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS 2015-2017 cycle	Amendments to IFRS 11 Joint Arrangements and IAS 12 Income Taxes

The impact of the adoption of IFRS 16 "Leases" have been summarised below. The other new or amended IFRSs that became effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.1 New and revised IFRSs applied (Continued)

IFRS 16 – Leases ("IFRS 16")

(i) Impact of the adoption of IFRS 16

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

The Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

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

	US$'000
Statement of financial position as at 1 January 2019	
Right-of-use asset	137
Lease liabilities (non-current)	60
Lease liabilities (current)	77

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.1 New and revised IFRSs applied (Continued)

IFRS 16 - Leases (Continued)

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

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	US$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	143
Less: future interest expenses	(6)
Total lease liabilities as of 1 January 2019	137

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 was 5%.

(ii) The new definition of a lease

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

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.1 New and revised IFRSs applied (Continued)

IFRS 16 - Leases (Continued)

(ii) The new definition of a lease (Continued)

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

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

(iii) Accounting as a lessee

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

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

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

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.1 New and revised IFRSs applied (Continued)

IFRS 16 - Leases (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use asset

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

Lease liability

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

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

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.1 New and revised IFRSs applied (Continued)

IFRS 16 - Leases (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability (Continued)

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

(iv) Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

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

The Group has elected to recognise all the right-of-use asset at 1 January 2019 for leases previously classified as operating leases under IAS 17 as if IFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application. For all these right-of-use asset, the Group has applied IAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC-Int4.

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs, potentially relevant to the Group's financial statements that have been issued but are not yet effective. Certain new or revised IFRSs have yet been endorsed by the EU.

Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform [1]

[1] *Effective for annual periods beginning on or after 1 January 2020*

<u>Amendments to IAS 1 and IAS 8 – Definition of Material</u>

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

<u>Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs issued by the International Accounting Standards Board as adopted by the EU.

Basis of preparation

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:
- Joint venture: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operation: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:
- The structure of the joint arrangement;
- The legal form of the joint arrangement structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group’s share of the post-acquisition change in the joint ventures’ net assets except that losses in excess of the Group’s interest in the joint venture are not recognised unless there is a legal and constructive obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors’ interests in the joint ventures. The investors’ share in a joint venture’s profits and losses resulting from such transactions is eliminated against the carrying value of the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes their purchase price and the costs directly attributable to the acquisition of the items.

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

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

Leasehold improvements	over the lease terms

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

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

Revenue recognition

Dividend income is recognised when the right to receive payment is established.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

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

<u>Right-of-use asset</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

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

Lease liability

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

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

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

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

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Group operates equity-settled share-based compensation plans and the share options are awarded to employees and directors providing services to the Group.

All services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as an asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After the vesting date, when the vested share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Taxation

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

<u>Current tax</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax

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

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

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

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

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents included cash on hand and in banks.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

(i) Financial assets

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

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

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

Debt instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(i) Financial assets (Continued)

<u>Equity instruments</u>

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

(ii) Impairment loss on financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (1) it has a low risk of default; (2) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulty of the issuer or the borrower.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

(iii) Financial liabilities

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

<u>Financial liabilities at amortised cost</u>

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(vi) Derecognition

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

Financial liabilities are derecognised when the obligations specified in the relevant contract are discharged, cancelled or expire.

Impairment of other assets

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

- property, plant and equipment; and
- interest in a joint venture

If the recoverable amount (i.e. the greater of fair value less costs to disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised in profit or loss immediately.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an 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 the employees of the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); or
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company'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 his dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Impairment of financial assets (including amount due from a joint venture)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(ii) Impairment of non-financial assets (including interest in a joint venture)

The Group assesses whether there are any indications of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable.

(iii) Estimation of equity investments classified as FVTPL categorised within level 3 of the fair value hierarchy.

The fair value of equity investments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the key assumptions used and the impact of changes to these assumptions are disclosed in note 5(c) to the consolidated financial statements.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019	2018
	US$'000	US$'000
Financial assets		
Financial assets at FVTPL	**2,470**	1,649
Financial assets at amortised cost	**2,289**	3,749
	4,759	5,398
Financial liabilities		
Financial liabilities at amortised cost	**205**	138

(b) Financial risk management objectives

Management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risks (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price risk.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Market risks (Continued)

(i) Foreign currency risk

Certain financial assets and financial liabilities of the Group are denominated in foreign currencies other than the functional currency of the relevant group entities, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Under the Linked Exchange Rate System in Hong Kong, HK$ is currently pegged to the USD within a narrow range, the directors therefore consider that there is no significant foreign exchange risk with respect to the USD.

The currency giving rise to this risk was primarily British Pound Sterling (“GBP”). The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the end of reporting period were as follows:

	Liabilities		Assets	
	2019	2018	**2019**	2018
	US$’000	US$’000	**US$’000**	US$’000
GBP	**82**	72	**1**	1

The following table details the Group’s sensitivity to a 10% (2018: 10%) increase and decrease in USD against the relevant foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in the relevant foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts its translation as at year end for a 10% (2018: 10%) change in the relevant foreign currency rate. A positive number below indicates a decrease in loss for the year and in accumulated losses where USD strengthens 10% (2018: 10%) against the relevant foreign currency. For a 10% (2018: 10%) weakening of USD against the relevant foreign currency there would have been an equal and opposite impact on loss for the year and on accumulated losses.

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Market risks (Continued)

(i) Foreign currency risk (Continued)

	2019	2018
	US$'000	US$'000
Change in post-tax loss for the year		
GBP appreciate	**(8)**	(7)
GBP depreciate	**8**	7

(ii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits at variable interest rates. Bank deposits at variable rates expose the Group to cash flow interest rate risk. Debt investments measured at amortised cost at fixed rates expose the Group to fair value interest rate.

The directors consider that the exposure to cash flow interest rate risk was insignificant. Hence, no sensitivity analysis on the exposure to the Group's cash flow interest rate risk is presented.

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments.

All of the Group's unlisted investments are held for long term strategic purposes. Their performance is assessed at least annually against performance of any similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

Sensitivity analysis

The sensitivity analysis on price risk includes the Group's financial instruments, the fair value or future cash flows of which will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the Group's equity instruments had been 5% higher/lower, loss for the year and accumulated losses would have decreased/increased by approximately US$124,000 (2018: US$82,000).

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Credit risk

The Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the major counterparties are banks with high credit ratings assigned by international credit-rating agencies. As at 31 December 2019, approximately 99% (2018: 99%) of the bank balances were deposited with a bank with a high credit rating. Other than concentration of credit risk on liquid funds deposited with that bank, the Group did not have any other significant concentration of credit risk.

For other receivables, deposits, other financial assets at amortised cost and amount due from a joint venture, management makes periodic individual assessment on the recoverability based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. Management believes that there was no material credit risk inherent in the Group's outstanding balance of other receivables, deposits, other financial assets at amortised cost and amount due from a joint venture. None of these receivables has been subject to a significant increase in credit risk since initial recognition and the expected credit loss was insignificant based on the risk of default of those counterparties under 12-month ECLs approach as at 31 December 2019 and 2018. Thus, no loss allowance was recognised as at 31 December 2019 and 31 December 2018.

Liquidity risk

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Liquidity table (Continued)

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

	Within 1 year or on demand US$'000	Total contractual undiscounted cash flows US$'000	Carrying amount US$'000
As at 31 December 2019			
Other payables and accruals	145	145	145
Lease liabilities	61	61	60
	206	206	205

	Within 1 year or on demand US$'000	Total contractual undiscounted cash flows US$'000	Carrying amount US$'000
As at 31 December 2018			
Other payables and accruals	138	138	138

(c) Fair value of financial instruments

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value of financial instruments (Continued)

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, other receivables, deposits, other financial assets at amortised cost, amount due from a joint venture, other payables and accruals and lease liabilities.

Due to their short term nature, the carrying value of cash and cash equivalents, other receivables, deposits, other financial assets at amortised cost, amount due from a joint venture, other payables and accruals and lease liabilities approximates fair value.

(ii) Financial instruments measured at fair value

Financial assets at FVTPL included in the consolidated financial statements require measurement at, and disclosure of, fair value.

The fair value of financial instruments with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out in note (iii) below.

(iii) Information about level 3 fair value measurement

The fair value of the Group's level 3 equity investments in Velocity and Ayondo (as defined in note 18) was estimated using market approach and the significant inputs being the recent market transaction price of similar, but not identical instrument.

The fair value of the Group's unlisted equity investments in the ICBC Shipping Fund and the Homaer Fund (as defined in note 18) was estimated with reference to their net asset value, which was a significant unobservable input.

There were no changes in these valuation techniques during the year.

5. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value of financial instruments (Continued)

The following table provides an analysis of the Group's financial instruments carried at fair value by level of fair value hierarchy:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Listed equity investments	82	-	13	95
Unlisted equity investments	-	-	2,375	2,375
	82	-	2,388	2,470

Reconciliation for financial assets at FVTPL carried at fair value based on significant unobservable inputs (level 3) are as follows:

	2019	2018
	US$'000	US$'000
At 1 January	**1,342**	1,729
Purchase	**1,000**	249
Transfer to level 1	**-**	(607)
Transfer to level 3	**139**	
Fair value adjustment	**(93)**	(29)
At 31 December	**2,388**	1,342

During the year, the Group transferred its equity investment in Ayondo of approximately US$139,000 as at 31 December 2019 from level 1 to level 3 as the quoted market prices of Ayondo became unavailable upon suspension of its share trading on Catalist of the Singapore Exchange Securities Trading Limited.

Fair value adjustment of financial assets at FVTPL was recognised in the line item "other income, gains and losses, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

6. Capital risk management

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists only of equity attributable to owners of the Company, comprising share capital and reserves.

7. REVENUE

The Group had no revenue from contracts with customers as defined under IFRS 15. An analysis of the Group's revenue from other sources is as follows:

	Year ended 31 December	
	2019	2018
	US$'000	US$'000
Dividend income from financial assets at FVTPL	**96**	96
Interest income from other financial assets at amortised cost	**44**	40
	140	136

8. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision makers in order to allocate resources and assess performance of the segment. For the years ended 31 December 2019 and 2018, the executive directors, who were the chief operating decision makers for the purpose of resource allocation and assessment of performance, have determined that the Group had only one single business component / reportable segment as the Group was only engaged in investment holding. The executive directors allocated resources and assessed performance on an aggregated basis. Accordingly, no operating segment is presented.

The major operations and the revenue of the Group arise from Hong Kong. The Board of Directors considers that most of the non-current assets (other than the financial instruments) of the Group are located in Hong Kong.

9. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 31 December	
	2019	2018
	US$'000	US$'000
Bank interest income	**1**	1
Gain on disposal of financial assets at FVTPL	**1**	-
Change in fair value of financial assets at FVTPL	**(179)**	(329)
Foreign exchange (loss)/gain, net	**(2)**	1
	(179)	(327)

10. STAFF COSTS

The aggregate staff costs (including directors' remuneration) of the Group were as follows:

	Year ended 31 December	
	2019	2018
	US$'000	US$'000
Wages and salaries	**270**	261
Contributions to pension and provident fund	**7**	7
Share-based payment expenses (note 26)	**43**	-
	320	268

Compensation of key management personnel was as follows:

	Year ended 31 December	
	2019	2018
	US$'000	US$'000
Directors' fees	**73**	64
Other remuneration including		
contributions to pension and provident fund	**-**	-
share-based payment expenses (note 26)	**36**	-
	109	64

11. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	US$'000	US$'000
Interests on lease liabilities	**5**	-

12. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense has been arrived at after charging/(crediting):

	Year ended 31 December	
	2019	2018
	US$'000	US$'000
Auditor's remuneration	**46**	45
Depreciation of right-of-use asset	**78**	-
Foreign exchange loss/(gain), net	**2**	(1)
Operating lease rental expenses in respect of office premises	**-**	80

13. INCOME TAX EXPENSE

No provision for taxation has been made as the Group did not generate any assessable profits that are subject to United Kingdom Corporation Tax, Hong Kong Profits Tax or tax in other jurisdictions.

The tax charge for 2019 and 2018 can be reconciled to the loss before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2019	2018
	US$'000	US$'000
Loss before income tax expense	**(704)**	(803)
Loss before tax calculated at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**(116)**	(132)
Tax effect of non-deductible expenses	**80**	101
Tax effect of non-taxable income	**(16)**	(16)
Tax effect of share of losses of a joint venture	**2**	2
Tax effect of estimated tax losses not recognised	**50**	45
Tax charge for the year	**-**	-

13. INCOME TAX EXPENSE (CONTINUED)

As at 31 December 2019, the Group had estimated tax losses arising in Hong Kong of approximately US$574,000 (2018: US$274,000) that can be carried forward indefinitely. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. No deferred tax asset has been recognised in relation to the deductible temporary differences of approximately US$52,000 (2018: US$55,000) as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised. The deductible temporary differences can be carried forward indefinitely.

14. LOSS PER SHARE

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share were as follows.

	Year ended 31 December	
	2019	2018
Loss for the year attributable to owners of the Company (US$'000)	**(704)**	(803)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**85,101,870**	77,874,040
Loss per share – basic and diluted	**US(0.83) cent**	US(1.03) cents

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2019 and 2018 as the impact of the potential dilutive ordinary shares outstanding had an anti-dilutive effect on the basic loss per share presented for the years ended 31 December 2019 and 2018.

15. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2018: nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$'000
Cost	
At 1 January 2018, 1 January 2019 and 31 December 2019	69
Accumulated depreciation	
At 1 January 2018, 1 January 2019 and 31 December 2019	69
Carrying amount	
At 31 December 2018	-
At 31 December 2019	-

17. INTEREST IN A JOINT VENTURE

	2019	2018
	US$'000	US$'000
Unlisted investment, at cost	**257**	257
Share of post-acquisition losses	**(133)**	(121)
Share of post-acquisition other comprehensive income	**(37)**	(30)
Share of net assets	**87**	106
Amount due from a joint venture	**257**	257

The amount due from a joint venture was unsecured, interest-free and repayable on demand.

Details of the joint venture at 31 December 2019 were as follows:

Name	Country of incorporation and operation	Proportion of ownership interest		Paid-up registered capital	Principal activities
		Direct	Indirect		
Oasis Education Group Limited 奧偉詩教育集團有限公司 ("Oasis Education")	Hong Kong	50%	-	HK$4,000,000	Investment holding
奧偉詩教育咨詢(深圳)有限公司	The People's Republic of China (the "PRC")	-	50%	HK$5,000,000	Provision of education consulting and support services to kindergartens in the PRC

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligations for the liabilities of the joint arrangement resting primarily with Oasis Education. Under IFRS 11, this joint arrangement was classified as a joint venture and has been included in the consolidated financial statements using the equity method.

17. INTEREST IN A JOINT VENTURE (CONTINUED)

The aggregate amounts relating to the joint venture that have been included in the consolidated financial statements of the Group as extracted from relating financial statements of the joint venture, adjusted to reflect adjustments made by the Group when applying the equity method of accounting are set out below:

	2019	2018
Results of the joint venture for the year	**US$'000**	US$'000
Revenue	**-**	-
Other income	**-**	-
Expenses	**(24)**	(22)
Loss for the year	**(24)**	(22)
Other comprehensive income for the year	**(14)**	(38)
Total comprehensive income for the year	**(38)**	(60)
Share of losses of the joint venture for the year	**(12)**	(11)
Share of other comprehensive income of the joint venture for the year	**(7)**	(19)
Accumulated share of results of the joint venture	**(133)**	(121)

Assets and liabilities of the joint venture at 31 December

	2019	2018
	US$'000	US$'000
Non-current assets	**-**	-
Current assets	**768**	809
Non-current liabilities	**-**	-
Current liabilities	**(595)**	(598)
Net assets	**173**	211
Included in the above amounts were:		
Cash and cash equivalents	**42**	48
Depreciation and amortisation	**-**	-
Interest income	**-**	-
Interest expense	**-**	-
Current financial liabilities (excluding trade and other payables)	**595**	593
Percentage of equity interest attributable to the Group	**50%**	50%
Share of net assets of the joint venture	**87**	106

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	US$'000	US$'000
Financial assets at FVTPL		
Listed equity investments, at fair value	**95**	307
Unlisted equity investments, at fair value	**2,375**	1,342
	2,470	1,649

During the year ended 31 December 2015, the Group acquired its equity interest in ayondo Holding AG ("Ayondo AG") for a total cash consideration of CHF320,000 (equivalent to approximately US$325,000). During the year ended 31 December 2016, the Group acquired additional equity interest in Ayondo AG for a total cash consideration of CHF160,050 (equivalent to approximately US$163,000). In connection with the listing in March 2018 of ayondo Ltd. ("Ayondo"), the holding company of Ayondo AG, on Catalist, the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited, the Group exchanged its equity interest in Ayondo AG into the equity interest in Ayondo under a pre-listing restructuring. Ayondo is a company incorporated in Singapore and was involved in self-directed trading and social trading services for contract-for-differences and spread betting.

During the year ended 31 December 2016, the Group acquired equity interest in Velocity Mobile Limited ("Velocity") for a total cash consideration of GBP337,120 (equivalent to approximately US$496,000). Velocity is a company incorporated in England and Wales and provides real-time lifestyle mobile applications for premium consumers focusing in the areas of dining, travel, experiences and luxury goods.

During the year ended 31 December 2018, the Group acquired equity interest in Agrios Global Holdings Ltd. ("Agrios") for a total cash consideration of C$333,000 (equivalent to approximately US$249,000). Agrios is the holding company of a data analytics driven agriculture technology and service group that provides property and equipment for lease and enhanced ancillary services to the cannabis industry. In November 2018, Agrios was listed on the Canadian Securities Exchange operated by CNSX Markets Inc.

As at 31 December 2019 and 2018, the Group also owned certain equity interest in the ICBC Shipping Fund in an amount of US$800,000.

During the year ended 31 December 2019, the Group invested US$1,000,000 in the equity capital of the Homaer Fund, the sole investment of which is an equity investment in ByteDance Technology Co. Ltd.

The directors had no intention to dispose of the financial assets at FVTPL at the end of the reporting period.

19. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances as at 1 January 2019 to recognise right-of-use asset relating to leases which were previously classified as operating leases under IAS 17. The Group leases certain office premises with a lease term of 3 years at fixed rates. The net book value of the Group's right-of-use asset and lease liabilities was as follows:

	Office premises	
	Right-of-use asset US$'000	**Lease liabilities US$'000**
As at 31 December 2018	**-**	**-**
Initial application of IFRS 16	137	137
Restated balance at 1 January 2019	137	137
Lease payments	-	(82)
Depreciation charge	(78)	-
Interest expenses	-	5
As at 31 December 2019	59	60

Future lease payments are due as follows:

As at 31 December 2019	**Minimum lease payments US$'000**	**Interest US$'000**	**Present value US$'000**
Not later than one year	61	(1)	60

As at 1 January 2019	**Minimum lease payments US$'000**	**Interest US$'000**	**Present value US$'000**
Not later than one year	82	(5)	77
Later than one year and not later than two years	61	(1)	60
	143	(6)	137

19. RIGHT-OF-USE ASSET AND LEASE LIABILITIES (CONTINUED)

	2018
	US$'000
Minimum lease payments under operating leases recognised as an expense during the year	80

The Group has a lease agreement for the use of office space. The lease agreement is for 3 years commencing 3 October 2017 to 2 October 2020. As at 31 December 2018, the Group had outstanding minimum commitments under non-cancellable operating leases, which would fall due as follows:

	2018
	US$'000
Not later than one year	82
Later than one year and not later than five years	61
	143

20. OTHER FINANCIAL ASSETS AT AMORTISED COST

The Group invested US$1,000,000 in the offshore term loan bearing interest at 8.5% per annum issued by Trillion Glory Limited, a Hong Kong indirect wholly-owned subsidiary of Guangzhou R& F Properties Co., Ltd which is a Chinese property company listed on the Main Board of The Stock Exchange of Hong Kong Limited. During the year ended 31 December 2018, the first 15% of the principal of the term loan of US$150,000 was repaid, and on 2 August 2019 the remaining 85% of the outstanding amount of US$850,000 was settled by Trillion Glory Limited under an early redemption clause.

21. SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2019 were as follows:

Name	Country of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activities
Worldsec Financial Services Limited	The British Virgin Islands	100%	100%	Investment holding
Worldsec Corporate Finance Limited	The British Virgin Islands	100%*	100%*	Inactive
Worldsec International NV	Netherlands Antilles	100%*	100%*	Inactive
Worldsec Investment (Hong Kong) Limited	Hong Kong	100%*	100%*	Investment holding
Worldsec Investment (China) Limited	The British Virgin Islands	100%*	100%*	Investment holding

* *Indirectly held subsidiaries*

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of financial position were as follows:

	2019	2018
	US$'000	US$'000
Bank balances	**1,611**	2,606
Cash balances	**1**	1
	1,612	2,607

Bank balances bore interest at the then prevailing market rates ranging from 0.001% to 0.01% (2018: 0.001% to 0.01%) per annum and had original maturities of three months or less.

23. OTHER PAYABLES AND ACCRUALS

	2019	2018
	US$'000	US$'000
Other payables and accruals	**145**	138

24. SHARE CAPITAL

	Number of shares	**Total value US$'000**
Authorised:		
Ordinary shares of US$0.001 each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	60,000,000,000	60,000
Called up, issued and fully paid:		
Ordinary shares of US$0.001 each		
At 1 January 2018	56,734,580	57
Issue of new shares by way of open offer (Note)	28,367,290	28
At 31 December 2018, 1 January 2019 and 31 December 2019	85,101,870	85

Note:

In April 2018, the Company issued 28,367,290 ordinary shares of US$0.001 each in the share capital of the Company at a price of US$0.15 per share by way of open offer on the basis of 1 new share for every 2 ordinary share held by qualifying shareholders, giving rise to gross proceeds of approximately US$4,255,000, comprising share capital of approximately US$28,000 and share premium of approximately US$4,227,000.

25. RESERVES

(a) The share premium account represents the premium arising from the issue of shares of the Company at a premium.

(b) The contributed surplus represents the amount arising from the reduction in the nominal value of the authorised and issued shares of the Company and the reduction in the share premium account pursuant to an ordinary resolution passed on 23 July 2003.

(c) Share option reserve comprises the fair value of the Company's share options which have been granted but which have yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the consolidated financial statements. The amount will either be transferred to the issued capital account and the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

(d) Exchange differences relating to the translation of the net assets of the Group's foreign operations (including a joint venture) from their functional currencies to the Group's presentation currency were recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve will be reclassified to profit or loss on the disposal of the foreign operations.

(e) The special reserve represents the amount arising from the difference between the nominal value of the issued share capital of each subsidiary and the nominal value of the issued share capital of the Company along with the surplus arising in a subsidiary on group reorganisation completed on 26 February 2007.

(f) Accumulated losses represent accumulated net gains and losses recognised in the profit or loss of the Group.

26. SHARE-BASED PAYMENTS

The Company operates an equity-settled share-based remuneration scheme for the employees and directors.

On 1 December 2015, the Company granted to certain eligible persons a total of 2,950,000 share options to subscribe for new ordinary shares of US$0.001 each in the share capital of the Company under the Worldsec Employee Share Option Scheme 1997 (the "Scheme") which was revised on 24 September 2014. The options vested six months from the date of grant and were then exercisable within a period of 9.5 years.

26. SHARE-BASED PAYMENTS (CONTINUED)

On 29 May 2019, the Company granted to certain eligible persons a total of 2,050,000 share options to subscribe for new ordinary shares of US$0.001 each in the share capital of the Company under the Scheme. The options vested six months from the date of grant and were then exercisable within a period of 9.5 years.

The following table discloses the movements of the outstanding share options under the Scheme during the years ended 31 December 2019 and 2018.

		Number of options						
Grantee	Exercisable period	Balance at 1 January 2019	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year	Balance at 31 December 2019	Exercise price per share (US$)
Directors	29 November 2019 to 28 May 2029	-	1,750,000	-	-	-	1,750,000	0.034
	1 June 2016 to 30 November 2025	2,500,000	-	-	-	-	2,500,000	0.122
Employees	29 November 2019 to 28 May 2029	-	300,000	-	-	-	300,000	0.034
	1 June 2016 to 30 November 2025	450,000	-	-	-	-	450,000	0.122
		2,950,000	2,050,000	-	-	-	5,000,000	

		Number of options						
Grantee	Exercisable period	Balance at 1 January 2018	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year	Balance at 31 December 2018	Exercise price per share (US$)
Directors	1 June 2016 to 30 November 2025	2,500,000	-	-	-	-	2,500,000	0.122
Employees	1 June 2016 to 30 November 2025	450,000	-	-	-	-	450,000	0.122
		2,950,000	-	-	-	-	2,950,000	

26. SHARE-BASED PAYMENTS (CONTINUED)

The share-based payment expenses of US$43,000 were charged to profit or loss account of the Group during the year ended 31 December 2019 (2018: nil).

Of the total number of share options outstanding at the end of the year, all (2018: all) had vested and were exercisable at the end of the year.

No share option was exercised during the years ended 31 December 2019 and 2018.

The weighted average remaining contractual life for share options outstanding at the end of the reporting period was 6.5 years (2018: 6.9 years).

The following information was relevant in the determination of the fair value of the share options granted during the year ended 31 December 2019 under the Scheme.

Option pricing model used	Black Scholes
Share price at grant date	US3.79 cents
Exercise price	US$0.034
Expected volatility	57.35%
Risk-free rate	2.27%
Expected dividend yield	0%

27. RELATED PARTY TRANSACTIONS

Other than the compensation of key management personnel and the underwriting of certain open offer shares as disclosed below, the Group did not have any related party transactions during the years ended 31 December 2019 and 2018.

Compensation of key management personnel

Key management personnel are the directors only. The remuneration of directors is set out in note 10 to the consolidated financial statements.

Underwriting of open offer

In April 2018, the Company completed an open offer of 28,367,290 new ordinary shares of US$0.001 each in the share capital of the Company at US$0.15 per share. Of these, 18,416,489 shares were underwritten by Mr Henry Ying Chew Cheong, an executive director of the Company, in his personal capacity. As there was no underwriting consideration involved, the underwriting was not subject to the rules contained in Chapter 11 of the Listing Rules of the Financial Conduct Authority in the United Kingdom. Details relating to the open offer can be found in note 24 to the consolidated financial statements.

28. CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 December 2019 (2018: nil).

29. NOTES SUPPORTING STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2019 US$'000	2018 US$'000
Cash available on demand	1,612	2,607

(b) Reconciliation of liabilities arising from financing activities:

	Lease liabilities (note 19) US$'000
At 1 January 2019	-
Lease liabilities upon adoption of IFRS 16	137
Changes from cash flows:	
Repayment of principal portion of lease liabilities	(77)
Repayment of interest portion of lease liabilities	(5)
Total changes from financing cash flows	(82)
Other changes:	
Interest on lease liabilities	5
	60

30. EVENT AFTER THE REPORTING PERIOD

Subsequent to the year end, Worldsec International N.V., a wholly-owned subsidiary of the Group which was engaged in agency stockbroking services in the 1990s, completed its voluntary liquidation.

The emergence and spread of COVID-19 in early 2020 and the consequent suppression measures including in particular the lockdowns imposed by governments have disrupted economic and business activities across the globe. As an investment holding company, the Company has through its subsidiaries invested in various business sectors and the investee companies and investments of the Group are expected to be affected by varying degrees. The Group will keep continuous attention on the evolving situation and will closely monitor the risks it exposes to. Nevertheless, the extent of any impact on the Group's financial performance, in the opinion of the management, could not be reasonably estimated at the present stage given the uncertainties surrounding the future trajectory of COVID-19, the time required to develop treatment drugs and vaccines and the response actions taken by governments as a consequence.

Other than disclosed elsewhere in these consolidated financial statements, up to the date of this report, there is no other significant event identified by the management subsequent to the reporting period.

INVESTMENT POLICY

The Company will invest in small to medium sized trading companies, being companies, both start-up/early stage growth and established, with a turnover typically up to US$20 million, based mainly in the Greater China and South East Asian region, and thereby create a portfolio of minority investments in such companies.

The Company's investment objective is to achieve attractive investment returns through capital appreciation on a medium to long term horizon. The Directors consider between 2 to 4 years to be medium term and long term to be over 4 years. The Directors intend to build an investment portfolio of small to medium sized companies based mainly in the Greater China and South East Asian regions. The Company may also take advantage of opportunities to invest in companies in other jurisdictions, such as the United Kingdom, which have close trading links with Greater China and South East Asia. Investments will normally be in equity or preferred equity but if appropriate convertible loans or preference shares may be utilised.

The Company has no intention to employ gearing, but reserves the right to gear the Company to a maximum level of 25 per cent. of the last published Net Asset Value of the Group should circumstances arise where, in the opinion of the Directors, the use of debt would be to the advantage of the Company and the Shareholders as a whole.

The investment portfolio will consist primarily of unlisted companies but the Directors will also consider investing in undervalued listed companies, if and when such an opportunity arises. Where suitable opportunities are identified, investment in companies considering a stock market listing at the pre-initial public offering stage will be considered.

No more than 20 per cent. of the gross assets of the Group will be invested in any single investment. The Directors consider that opportunities will arise to invest in investee companies by the issue of new Ordinary Shares at a discount of no more than 10 per cent. of the mid market price at the time of agreement of their issue in exchange for new equity, preferred equity or convertible instrument in the investee company. Target sectors are financial services, consumer retail distribution, natural resources and infrastructure but the Company will seek to take advantage of opportunities in other sectors if these arise.

The Company's portfolio in due course will comprise at least five different investee companies, thereby reducing the potential impact of poor performance by any individual investment.

The Company does not intend to take majority interests in any investee company, save in circumstances where the Company exercises any rights granted under legal agreements governing its investment. Each investment by the Company will be made on terms individually negotiated with each investee company, and the Company will seek to be able to exercise control over the affairs of any investee company in the event of a default by the investee company or its management of their respective obligations under the legal agreements governing each investment. Where appropriate, the Company will seek representation on the board of companies in which it invests. Where board representation is secured in an investee company, remuneration for such appointment will be paid to the benefit of the Company thereby enhancing returns on the investment. There will be no intention to be involved in the day to day management of the investee company but the skills and connections of the board representative will be applied in assisting the development of the investee company, with the intention of enhancing shareholder value. The Company will arrange no cross funding between investee companies and neither will any common treasury function operate for any investee company; each investee company will operate independently of each other investee company.

Where the Company has cash awaiting investment, it will seek to maximise the return on such sums through investment in floating rate notes or similar instruments with banks or other financial institutions with an investment grade rating or investment in equity securities issued by companies which have paid dividends for each of the previous three years.

Any material change to the Investment Policy may only be made with the prior approval of the Shareholders.

BIOGRAPHICAL NOTES OF THE DIRECTORS

The Board of Directors has ultimate responsibility for the Group's affairs.

Brief biographical notes of the directors are set out below:

Alastair Gunn-Forbes - *Non-Executive Chairman - aged 75*

Mr Gunn-Forbes has been associated with Asian regional stock markets since 1973 when he was a fund manager at Brown Shipley Ltd. Subsequently, he was a director of W I Carr, Sons & Co. (Overseas) Ltd until 1985, since when he held directorships with other Asian securities firms in the United Kingdom prior to joining the Group in 1993. Mr Gunn-Forbes is the Chairman of Opera Holdings Limited, a recruitment company.

Henry Ying Chew Cheong - *Executive Director and Deputy Chairman - aged 72*

Mr Cheong holds a Bachelor of Science (Mathematics) degree from Chelsea College, University of London and a Master of Science (Operational Research and Management) degree from Imperial College, University of London.

Mr Cheong has over 40 years of experience in the securities industry. Mr Cheong and The Mitsubishi Bank in Japan (now known as The Bank of Tokyo-Mitsubishi UFJ Ltd) founded the Worldsec Group in 1991. In late 2002, Worldsec Group sold certain securities businesses to UOB Kay Hian Holdings Limited and following that Mr Cheong became the Chief Executive Officer of UOB Asia (Hong Kong) Ltd until early 2005. Prior to the formation of the Worldsec Group, Mr Cheong was a director of James Capel (Far East) Ltd for five years with overall responsibility for Far East Sales. His earlier professional experience includes 11 years with Vickers da Costa Limited in Hong Kong, latterly as Managing Director.

Mr Cheong was a member of the Securities and Futures Appeals Tribunal and a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong ("SFC")(from 2009-2015). Mr Cheong was previously a member of Disciplinary Panel A of Hong Kong Institute of Certified Public Accountants (from 2005-2011). He was a member of the Corporate Advisory Council of the Hong Kong Securities Institute (from 2002-2009), a member of the Advisory Committee to the SFC (from 1993-1999), a member of the board of directors of the Hong Kong Future Exchange Limited (from 1994-2000), a member of GEM Listing Committee and Main Board Listing Committee of Hong Kong Exchange and Clearing Limited ("HKEX") (from May 2002-May 2006), a member of Derivatives Market Consultative Panel of HKEX (from April 2000-May 2006), a member of the Process Review Panel for the SFC (from November 2000-October 2006) and a member of the Committee on Real Estate Investment Trust of the SFC (from September 2003-August 2006).

Mr Cheong is an Independent Non-Executive Director of CK Asset Holdings Limited, CK Infrastructure Holdings Limited, New World Department Store China Limited, and Skyworth Digital Holdings Limited, all being listed companies in Hong Kong. Mr Cheong is also an Independent Director of BTS Group Holdings Public Company Limited, being listed in Thailand. He was previously an Independent Non-Executive Director of CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited and TOM Group Limited, all being listed companies in Hong Kong.

BIOGRAPHICAL NOTES OF THE DIRECTORS (CONTINUED)

Ernest Chiu Shun She - ***Executive Director – aged 59***

Mr She is an investment banker with extensive experience in the field of corporate finance. In his executive management roles at various investment banks and financial institutions, including notably Worldsec Corporate Finance Limited where he had a long and committed stint, Mr She has covered a broad and diverse range of financial advisory and fund raising activities in the Asian regional equity markets.

Since rejoining the Group to assist in the reactivation of its business operations in 2013, Mr She has been an Executive Director of the Company working on private equity investments.

Mr She has a deep-rooted and long-standing connection with the Worldsec group of companies being one of the co-founding team members at the time when the entities were established in the early 1990s. For more than a decade that followed and until the disposal by the Group of certain securities businesses to UOB Kay Hian Holdings Limited in 2002, Mr She held senior management positions at Worldsec Corporate Finance Limited and Worldsec International Limited with the main responsibility of developing and overseeing the Group's corporate finance activities.

Prior to his tenure at the Worldsec group of companies, Mr She was an Investment Analyst and an Associate Director at James Capel (Far East) Limited where he was primarily responsible for equity research in the real estate sector.

Mr She graduated from the University of Toronto with a Bachelor of Applied Science degree in Industrial Engineering and obtained from the Imperial College of Science and Technology a Master of Science degree in Management Science specialising in Operational Research. Mr She is a Chartered Financial Analyst.

From 2004 to 2010, Mr She served as an Independent Non-Executive Director and the Chairman of the Audit Committee of New Island Printing Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mark Chung Fong - ***Non-Executive Director - aged 68***

Mr Fong was an Executive Director for China development of Grant Thornton International Ltd, a corporation incorporated in England and had retired from Grant Thornton effective from 1 January 2014. He has more than 40 years' experience in the accounting profession. Mr Fong obtained a bachelor's degree in science from the University College, London in August 1972 and a Master's degree in science from the University of Surrey in December 1973. He has been a Fellow of the Institute of Chartered Accountants in England and Wales since January 1983 and a Fellow of the Hong Kong Institute of Certified Public Accountants ("HKICPA") since March 1986. He was the President of the HKICPA in 2007. He has been appointed as the Chairman of the Audit Committee of HKICPA from 2016 to January 2019 and has also served on the Council of the Institute of Chartered Accountants in England and Wales from 2016 to 2018.

Martyn Stuart Wells - ***Non-Executive Director – aged 75***

Mr Wells was formerly an Executive Director of Citicorp International Limited and has over 30 years' experience in the securities industry. In 1969 he joined Vickers da Costa, international stockbrokers. He was involved in the fund management industry for 20 years and participated in the launch of several country funds investing in the Asian region, serving as a director or as a member of the investment advisory councils of several of those funds. He lived in Hong Kong for almost 28 years and since 2000 has resided in England.

BIOGRAPHICAL NOTES OF THE DIRECTORS (CONTINUED)

Stephen Lister d'Anyers Willis - ***Non-Executive Director – aged 65***

Mr Willis is a financial services professional specialising in Asia and global investing. He has been involved with Asia for over 35 years firstly with Standard Chartered Bank and subsequently with the Asian specialist stockbroker, Vickers da Costa and a number of other investment banking firms. In 2011, Mr Willis founded Stelisdan Research Services to provide equity research to high net worth investors whose assets are managed by Private Wealth Managers. This covers all aspects of investment strategy, economics and individual company research.