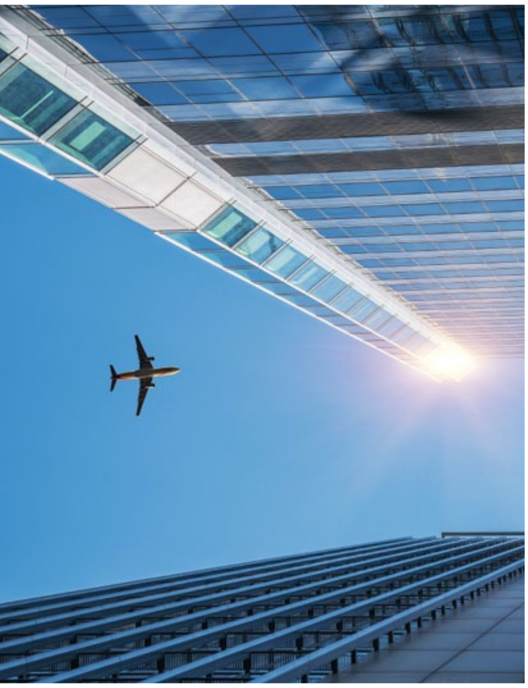
South China Assets Holdings Limited

南華資產控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 08155



2018

ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director

Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors

Mr. Cheng Hong Kei
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Yeung Chi Hang

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor

COMPANY SECRETARY

Mr. Watt Ka Po James

AUTHORISED REPRESENTATIVES

Ms. Cheung Choi Ngor
Mr. Watt Ka Po James

AUDIT COMMITTEE

Mr. Cheng Hong Kei (*Committee Chairman*)
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Ng Yuk Yeung Paul
Mr. Yeung Chi Hang

REMUNERATION & NOMINATION COMMITTEE

Ms. Pong Scarlett Oi Lan, BBS, J.P. (*Committee Chairman*)
Mr. Cheng Hong Kei
Mr. Yeung Chi Hang

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Chong Hing Bank Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia (China) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

08155

WEBSITE OF THE COMPANY

www.scassets.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Assets Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded revenue and loss attributable to the equity holders of the Company, both being the financial key performance indicators, for the year ended 31 December 2018 of HK$1.1 million (2017: HK$1.7 million) and HK$7.9 million (2017: HK$14.8 million), respectively.

The loss attributable to the equity holders of the Company for the year ended 31 December 2018 is mainly attributable to administrative and other operating expenses and finance costs. This was partially offset by gain on deregistration of a subsidiary and a one-off reversal of income tax following the deregistration of a subsidiary.

Excluding non-operating items (being gain/loss arising from, among other things, other net income, fair value loss on financial assets at fair value through profit or loss and gain on disposal of financial assets at fair value through other comprehensive income), adjusted operating loss of the Group for the year was HK$15.1 million as compared to a loss of HK$19.9 million in last year due to efforts in controlling cost.

FINANCIAL REVIEW

During the year under review, money lending business has generated revenue of HK$1.1 million (2017: HK$1.7 million). The property development segment did not record any revenue from external customers for the years ended 31 December 2018 and 2017 as the property development projects were still at the planning stage.

During the year ended 31 December 2018, the fair value loss on financial assets at fair value through profit or loss was HK$11.4 million (2017: HK$8.2 million). The change in fair value loss mainly resulted from the movements in various parameters including share price of South China Holdings Company Limited ("SCHC"). The fair value loss on redemption option embedded in RCPS during the year ended 31 December 2018 (2017: HK$1.6 million) was recorded through other comprehensive income following the adoption of HKFRS 9 with effect from 1 January 2018.

Other operating income, net amounted to HK$18.4 million (2017: HK$65.5 million) for the year under review. The decrease mainly resulted from non-occurrence of a one-off compensation income from Shenyang City Huanggu Region Construction Administration Bureau and Shenyang Land Reserve & Exchange Centre in respect of the Huanggu District property development project of the Group recognised in last year. Administrative and other operating expenses amounted to HK$23.6 million (2017: HK$21.6 million) for the year under review.

BUSINESS REVIEW

The principal businesses of the Group include financial services and property development.

(a) Financial Services

The segment is made up of South China Asset Management Limited ("SCA"), a licensed corporation holding the licences for type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). SCA has not recorded any revenue in the year under review.

The Group also carries out money lending business via South China Financial Credits Limited ("SCFC"), a wholly-owned subsidiary of the Company. SCFC is governed by the Hong Kong Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong) with business scope encompassing unsecured personal loans, tax loans, small business loans, specialised lending and debt consolidation. SCFC enlarged its sales force and appointed new heads to take charge of its money lending business in the second half of 2018 with a new market positioning strategy during the year under review. The move is to tap into customer segments with better credibility background in order to build a healthy loan portfolio. The gross loan portfolio of the money lending business amounted to HK$10.5 million as at 31 December 2018. SCFC has tightened its credit approval and strategy of new loan and loan refinancing applications. The Group has also strengthened its debt collection functions to provide safeguard to the Group for excessive credit risk.

In furthering the Group's strategy to build up a "one-stop financial services center" to offer customers with a diverse range of financial services, the Group has been granted by the Securities and Futures Commission ("SFC") the corporate licence to carry out regulated activities in dealing in securities ("Type 1 Licence") in October 2016 and the corporate licence to carry out regulated activities in dealing in futures contracts ("Type 2 Licence") in July 2017. The Group is in the final stage of the application to be participants of Hong Kong Exchanges and Clearing Limited for Type 1 Licence and Type 2 Licence, and has not recorded any revenue in the year under review.

The segment is also made up of South China Wealth Advisory Limited ("SCWA"), who has membership of Professional Insurance Brokers Association ("PIBA") and is a Mandatory Provident Fund ("MPF") principal intermediary under MPF Schemes Ordinance ("MPFSO"). SCWA has not recorded any revenue in the year under review.

The directors considered that the key risk exposures of our investment advisory, asset management business and money lending business are market risk, credit risk and the need to maintain sufficient liquidity to satisfy regulatory capital requirements and working capital needs. The Group does not take trade positions which expose it to material price risk or foreign exchange risk.

The Group's risk management objectives are therefore to minimise the key financial risks through clearly defined terms of business with customers, stringent investment and credit control over transactions with them, and regular monitoring of cash flow and management accounts to ensure that the relevant regulated entities comply with the regulatory capital requirements and the financial services operations maintain adequate working capital.

(b) Property development

(i) *Shenyang, Liaoning Province*

Under the development plan of the Huanggu District (皇姑區) property development project, the Huanggu District property development project has a site area of approximately 67,000 square metres. A mixed development which comprises commercial/retail, residential and office/hotel will be built. According to the Auction Confirmation Letter (掛牌交易成交確認書), the consideration for the land use rights is RMB1,176.8 million and RMB235.4 million land premium was paid.

Since the local government failed to perform its obligations in carrying out site demolition work and occupants relocation and the delivering vacant possession of the site to a subsidiary of the Company, the Company and the subsidiary of the Company commenced legal proceedings against Shenyang City Huanggu Region Construction Administration Bureau (瀋陽市皇姑區城市建設局) and Shenyang Land Reserve & Exchange Centre (瀋陽市土地交易中心) (collectively referred as the "Shenyang Bureau") in the Liaoning High People's Court (遼寧省高級人民法院) for damages and other reliefs.

On 4 May 2016, Liaoning High People's Court (遼寧省高級人民法院) ruled in our favor that the Shenyang Bureau is required to pay to the Company's subsidiary the interests on the land premium paid by the Company. On 23 May 2016, the Shenyang Bureau appealed to the Supreme People's Court of The People's Republic of China (中華人民共和國最高人民法院).

On 2 March 2017, the Supreme People's Court of The People's Republic of China ruled in our favor, and the ruling on 4 May 2016 was upheld, that the Shenyang Bureau is required to pay to the Company's subsidiary the compensation and reliefs. The Group received full amount of the said land premium and the said compensation and reliefs in full from Shenyang Bureau in year 2018. The project company of the Huanggu District property development project was deregistered on 26 November 2018.

(ii) *Cangzhou, Hebei Province*

The Huanghua New City (黃驊新城) property development project, with a site area of 32,336 sq. m., is a commercial and retail development to provide shopping mall, entertainment, dining and recreational facilities having a total gross floor area ("GFA") of approximately 45,000 sq. m.. The Group has obtained the State-owned Land Use Right Certificate (國有土地使用證), the Land Use Permit (建設用地規劃許可證) and the Construction Planning Permit (建設工程規劃許可證) for the project. Main construction works will commence upon the issuance of the Construction Permit (建設工程施工許可證).

In 2014, the Group won a bid at the tender for the acquisition of another land site (the "Second Land Site") adjacent to the Huanghua New City project, with a site area of 32,921 sq. m. and allowable GFA of approximately 87,000 sq. m.. The Second Land Site has been planned as the second phase of the Huanghua New City property development project, which will further provide commercial, retail, office, and hotel facilities for enhancement of variety of facilities of the whole Huanghua New City project. The Group obtained the State-owned Land Use Right Certificate and the Land Use Permit in prior years and further obtained the Construction Planning Permit in July 2018.

On 7 September 2018, the Group received a notice from Canzhou City Land Resources Bureau (滄州市國土資源局) ("Cangzhou Land Bureau") to request the repossession of the Second Land Site (the "Repossession"). The Group subsequently filed an appeal in form of an application for administrative review to Hebei Province Land Resources Bureau (河北省國土資源局) ("Hebei Land Bureau"), the provincial authority to which Cangzhou Land Bureau is reporting. On 24 December 2018, Hebei Land Bureau notified the Group and Cangzhou Land Bureau that the administrative review process shall be temporarily suspended to allow both parties to discuss for settlement of the dispute.

The Group would resume the administrative review process on the Repossession if no acceptable solution is reached with Cangzhou Land Bureau. The Group would take all necessary measures, including but not limited to initiate legal proceedings against Cangzhou Land Bureau, to safeguard the Company's legal rights and interest in the Second Land Site if the result of the administrative review is not favourable to the Group.

The existing property portfolio of the Group is located in the PRC and is therefore subject to the risks associated with the PRC property market. Our property development operations in the PRC may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance, and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations. To mitigate the abovementioned risks, the Group will monitor such exposures closely with a view to reacting timely to any change.

INVESTMENT PORTFOLIO

The Group's investment portfolio consists of ordinary shares and RCPSs of SCHC, which are presented under financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, respectively.

Stock code	**Name of security**	**Carrying value as at 31 December 2018**	**Fair value loss during the Year**
		HK$'000	*HK$'000*
413	South China Holdings Company Limited ("SCHC")		
	— Ordinary shares	59,354	36,477
	— RCPSs	161,737	89,286
		221,091	125,763

The principal business of SCHC includes trading and manufacturing, property investment and development, agriculture and forestry.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had a current ratio of 2.0 (2017: 2.2) and a gearing ratio of 10.7% (2017: 2.3%). The increase in gearing ratio was due to decrease in net asset value mainly caused by decrease in fair value of financial assets at fair value through other comprehensive income. The financial position of the group is considered at a healthy level.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year ended 31 December 2018, the Group did not make any material acquisition and disposal of subsidiaries and associates.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2018, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no pledge of assets and contingent liabilities.

EMPLOYEES

As at 31 December 2018, the total number of employees of the Group was 15 (2017: 8). Employees' cost (including Directors' emoluments) amounted to HK$10.0 million for the year (2017: HK$11.8 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Employees may also be granted share options and share awards under the share option scheme and the employee's share award scheme adopted by the Company on 8 May 2012 and 18 March 2011 respectively.

PROSPECTS

Management believes it is the best interest of the Group to continue consolidate its existing property development business and diversify into new business in the financial services sector which is able to produce steady income stream given the existing market conditions and the resources available.

The year of 2019 will be another challenging year given the dynamic changes in both global macroeconomic environment, the Trade War and policy changes in the PRC. Despite the challenges, management believes opportunities still exist for our business growth. The Group will pay close attention to the internal and external economic situations and continue to closely monitor and make great efforts on adjusting internal structure and optimising businesses.

(a) Financial services business

To capitalise strong demand for financial services and surging needs of customers in the Greater Bay Area and potentially in entire Greater China region, the Group's strategy is to build up a "one-stop financial services center" to offer customers with a diverse range of financial services. To pursue this goal, the Group acquired SCA, the asset management arm, and SCFC, the money lending business unit, in 2015.

SCA is structuring close-end private funds with various investment strategies and asset classes to meet our clients' investment needs and risk appetites. SCA has been in on-going discussion with potential investors for engagement as investment manager to provide tailor-made discretionary portfolio and management solutions which will then generate revenue upon successful rollout.

SCFC has structured customer segments with better credibility background in year 2018. Less impairment on loans in year 2018 due to improved credit approval and debt collection function, SCFC will continue to implement existing enhanced policy to manage its credit risk. In 2019, it is expected that personal loan market would expand steadily. To grasp more business opportunities, SCFC will further expand sourcing channels of customer. SCFC will also explore new funding sources to cope with growing needs of personal loan market.

SCWA is the member of PIBA and is a MPF principal intermediary under MPFSO. The Group has recently appointed a licence holder in July 2018 to start exploring and developing sales channels to commence wealth management business.

In addition to the Group's successful application for Type 1 Licence in October 2016, the Group was granted Type 2 Licence by the SFC in July 2017. The Group is in the final stage of the application to be participants of Hong Kong Exchanges and Clearing Limited for Type 1 Licence and Type 2 Licence, and in the process of setting up front-line trading and back-end settlement systems for the business to commence in year 2019. The new business will mainly focus on providing dealing services of securities and futures to discretionary accounts without margin financing to minimise the burden on working capital.

(b) Property development business

The Group's project on hand has aggregate site area of approximately 75,000 square meters. As mentioned in the section "BUSINESS REVIEW", the first phase of the Huanghua New City property development project will be commenced after obtaining the Construction Permit.

To diversify its business, the Group has shifted its focus to the small to medium size projects to relieve the burden on resources for the capital intensive projects.

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. In this regard, we have implemented various environmental policies and guidelines to manage the efficient use of resources in our day to day operations. Going forward, we will strive to continue to enforce new efficiency measures to reduce the consumption of energy and water, and indirectly reduce the emissions of greenhouse gas.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Group is in compliance with related regulations. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group has also adopted share option schemes and share award schemes to recognize and reward the contribution of the employees to the growth and development of the Group.

Customers

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Service vendors

Sound relationships with key service vendors of the Group are important in supply chain, premises management and meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise system and equipment vendors, external consultants which provide professional services, suppliers of office goods/ merchandise and other business partners which provide value-added services to the Group.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang
Chairman

Hong Kong, 12 March 2019

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 69, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of South China Financial Holdings Limited and South China Holdings Company Limited, both being listed on the Main Board of The Stock Exchange of Hong Kong Limited. He holds a Master degree in Marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 28 January 2002. He is the father of Ms. Ng Yuk Mui Jessica, an Executive Director and the Executive Vice Chairman of the Company, and Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 65, is an Executive Director and a member of the Executive Committee of the Company. She is also an executive director, the vice chairman and co-chief executive officer of South China Holdings Company Limited, and an executive director and a vice chairman of South China Financial Holdings Limited, both being listed on the Main Board of The Stock Exchange of Hong Kong Limited. She also holds several directorships in certain subsidiaries of the Group. She holds a Master degree in Business Administration from University of Illinois in the United States of America. She is a member of 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 7 January 2009. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Richard Howard Gorges, aged 75, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director and a vice chairman of South China Holdings Company Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited. He also holds several directorships in certain subsidiaries of the Group. He holds a Master degree in Law from University of Cambridge in the United Kingdom. He was appointed as a Director of the Company on 7 January 2009. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Ng Yuk Mui Jessica, aged 40, is an Executive Director, an Executive Vice Chairman and a member of the Executive Committee of the Company. She is also a non-executive director of South China Holdings Company Limited and an executive director, an executive vice chairman and chief executive officer of South China Financial Holdings Limited, both being listed on the Main Board of The Stock Exchange of Hong Kong Limited. She is the executive vice chairman of South China Media Limited. She also holds several directorships in certain subsidiaries of the Group. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of 12th Hebei Provisional Committee of the Chinese People's Political Consultative Conference. She was appointed as Director of the Company on 20 August 2003. She is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the elder sister of Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Ng Yuk Yeung Paul, aged 37, is a Non-executive Director and a member of Audit Committee of the Company. He is also an executive director, an executive vice chairman and co-chief executive officer of South China Holdings Company Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited. He also holds several directorships in certain subsidiaries of the Group. He graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. He is an associate member of the Chartered Institute of Management Accountants and a member of 13th National Committee of the Chinese People's Political Consultative Conference and was a standing committee member of the 11th and 12th Liaoning Provincial Committee of the Chinese People's Political Consultative Conference. He was the winner of the Young Industrialist Awards of Hong Kong 2017. He has been engaged in the financial services, property development, OEM toys manufacturing, tourism and media businesses for more than fifteen years. He was appointed as a Director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the younger brother of Ms. Ng Yuk Mui Jessica, an Executive Director and Executive Vice Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hong Kei, aged 64, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He studied accountancy in Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). He is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practicing), the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is a co-founding director of Cheng & Cheng Limited and had worked as an assessor for the Hong Kong Inland Revenue Department for 12 years. He has over 30 years of experience in accounting and taxation. He is currently an independent non-executive director of Great China Properties Holdings Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and GET Holdings Limited, being listed on the GEM of the Stock Exchange. He was appointed as a Director of the Company on 31 March 2017.

Ms. Pong Scarlett Oi Lan, BBS, J.P., aged 59, is an Independent Non-executive Director, the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor degree in pharmaceutical sciences from the University of Saskatchewan in Canada. She holds a Master of Arts from Macquarie University in Australia in 2018. She is the Chairman of Health Quotient HQ International Institute Limited and the President of The Pharmaceutical Society of Hong Kong. She is an elected District Councilor, the Chairman of The International Drug Abuse Treatment Foundation Limited and The League of Health Professionals of Hong Kong Limited. She was a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the President of The Practising Pharmacists Association of Hong Kong for eight years and the President of the Outstanding Young Persons' Association. She is being appointed in a number of government boards and committees such as the Council Member of Hong Kong Baptist University, Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008–2009), Chairman of ACAN Sub-committee on Preventive Educations and Publicity (2007–2012). She received awards of the Ten Outstanding Young Persons' Selection in 1998, the Hundred Outstanding Women Entrepreneur in China in 2007, was appointed as a Justice of the Peace (J.P.) by the Government of the Hong Kong Special Administrative Region in July 2010 and received an award of Bronze Bauhinia Star in 2017. She also received awards of Pioneers in Healthy Cities, Alliance for Healthy Cities, Western Pacific Region. She was appointed as a Director of the Company on 27 March 2008.

Mr. Yeung Chi Hang, aged 51, is an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is a qualified accountant with a Bachelor's degree in Accountancy from City of London Polytechnic and Executive Master of Business Administration from the Chinese University of Hong Kong. He has more than 25 years' experience in audit, finance, PRC tax and project administration. Now he has his own consultancy firm to provide professional advice to clients mainly on project administration and financial and management report system. After graduation, he joined KPMG leading audit engagement of luxury goods retail group, MNC and WOFE. He then joined New World China Land as Assistant Project Administration Manager and in charge of JV projects in Wuhan, China to handle accounting, finance and tax issues, and liaise with JV partners and government officials. Subsequently, he worked for manufacturing MNC to oversee HK and China operations (Finance, Administration, Human Resources and IT) which including setting up of sales team and logistics team in China. Prior to starting his own business, he was in charge of finance and accounting functions for China property development projects of two listed companies. He was appointed as a Director of the Company on 6 September 2017.

Directors' Report

The directors of the Company (the "Directors") submit herewith their report and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are property investment and development in the People's Republic of China, money lending, provision of investment advisory and asset management service and dealing in securities and futures.

There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 11 of this annual report. The discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The board of Directors (the "Board") has overall responsibility for the Group's environmental, social and governance ("ESG") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

In addition, discussion on the Group's environmental policies and performance are contained in the Environmental, Social and Governance Report on pages 44 to 53 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and the financial position of the Group at that date are set out in the financial statements on pages 59 to 158 of this annual report.

No interim dividend was paid (2017: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders").

Objectives

The Dividend Policy sets out the guidelines for the Board of the Company to determine (i) whether dividends are to be declared and paid; and (ii) the amount of dividend to be paid to the Shareholders.

It is the policy of the Company to distribute its net profits by way of dividends to the Shareholders after retaining adequate reserves for future growth as return to the Shareholders' investment.

Basic Criteria

In deciding to propose a dividend and in determining the dividend amount, the Board shall take into account the actual and expected financial results of the Group, business performance and strategies, financial and economic factors, capital commitments, liquidity position and any other factors that the Board considers appropriate.

Subject to the conditions and factors set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board considers appropriate.

Payment of dividend by the Company is also subject to any criteria and restrictions under the Cayman Islands laws and the Company's Articles of Association.

Form of Dividend

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

Approval of Dividend

The Board may from time to time determine and pay to the Shareholders such interim dividends as it considers appropriate.

The Board may recommend the payment of final dividends which are required to be approved by the Shareholders in general meetings.

Approval of the Dividend Policy

The Dividend Policy has been reviewed by the audit committee (the "Audit Committee") of the Company and approved by the Board. In the event of any amendment of any provision of the Dividend Policy shall be reviewed and commented by the Audit Committee and then all such reviewed and commented amendments shall be submitted to the Board for consideration and approval.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company is scheduled to be held on Tuesday, 18 June 2019 (the "2019 AGM"). For the purpose of determining those Shareholders who are entitled to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Wednesday, 12 June 2019 to Tuesday, 18 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, the non-registered shareholders must lodge all completed share transfer instruments accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 11 June 2019.

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 159 of this annual report.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of movements in the ordinary shares, share options and share awards of the Company during the year are set out in notes 27 to 29 to the consolidated financial statements.

Save as disclosed under the section headed "Share Option Scheme" and "Employees' Share Award Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2018.

MAJOR SUPPLIERS

During the year ended 31 December 2018, aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

At no time during the year have the directors, their associates or any shareholder of the company (which, to the knowledge of the directors, owns more than 5% of the number of issued shares of the Company) had any interest in these major suppliers.

DIRECTORS

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

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director:

Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors:

Mr. Cheng Hong Kei
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Yeung Chi Hang

In accordance with Article 116 of the Articles of Association of the Company, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Mr. Ng Yuk Yeung Paul will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company of the Company. Save as disclosed, all other remaining Directors continue in office.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of the Stock Exchange from each of the Independent Non-executive Directors namely, Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang, and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 12 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or its subsidiaries which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The remuneration payable to executive directors are determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the non-executive directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his own remuneration.

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

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in ordinary shares of the Company (the "Shares")

Directors	Capacity	Number of Shares	Total number of Shares	Approximate percentage of shareholding to total issued Shares
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner	363,393,739	7,257,178,811	64.92%
	Interest of spouse	967,923,774		
	Interest of controlled corporations	5,925,861,298 (Note (a))		
Mr. Ng Yuk Yeung Paul ("Mr. Paul Ng")	Beneficial owner	2,602,667	2,602,667	0.02%

(ii) Long positions in underlying Shares

Directors	Capacity	Number of underlying Shares	Approximate percentage of shareholding to total issued Shares
Ms. Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 (Note (b))	0.50%
Mr. Paul Ng	Beneficial owner	83,840,000 (Note (b))	0.75%

Notes:

(a) 5,925,861,298 Shares held by Mr. Ng through controlled corporations include 1,088,784,847 Shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 Shares held by Earntrade Investments Limited ("Earntrade"), 1,817,140,364 Shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 Shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 Shares held by Ronastar Investments Limited ("Ronastar"), 65,104,000 Shares held by Green Orient Investments Limited ("Green Orient"). Fung Shing, Parkfield and Ronastar were all directly wholly-owned by Mr. Ng. Mr. Ng holds Green Orient indirectly via South China Holdings Company Limited ("SCHC"). Bannock was a wholly-owned subsidiary of Earntrade which was directly owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung. SCHC was owned as to approximately to 63.24% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the 65,104,000 Shares held by Green Orient and the aggregate 2,238,789,644 Shares held by Bannock and Earntrade.

(b) The respective underlying Shares held by Ms. Cheung and Mr. Paul Ng were the share options granted to them on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012. For more details, please refer to note 28 to the consolidated financial statements under the section headed "Share Option Scheme".

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the Shares, underlying Shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company pursuant to the required standard of dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules, at 31 December 2018.

SHARE OPTION SCHEME

The Company adopted a share option scheme in May 2012 ("2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the 2012 Share Option Scheme is unlisted. Further details of the 2012 Share Option Scheme are disclosed in note 28 to the consolidated financial statements.

No new share option was granted under the 2012 Share Option Scheme during the year ended 31 December 2018.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employee's share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group, and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to HK$50 million for the purchase of shares in the Company and/or SCHC from the market. Such shares shall form part of the capital of the trust set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company' resources for the purpose of purchase of shares as referred to in the above. Details of the Share Award Scheme are set out in note 29 to the consolidated financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme", at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any rights to subscribe for any equity or debt securities of the Company or any other body corporate nor had exercised any such right.

RETIREMENT SCHEME

The Group operates a defined benefit occupational retirement scheme and a mandatory provident fund scheme. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. Particulars of these retirement schemes are set out in note 3.14 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

A summary of the related party transactions which are set out in note 34 to the consolidated financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

The Company has not entered into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the year.

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

The Company has been notified of the following interest in its issued Shares at 31 December 2018 amounting to 5% or more of the Shares in issue:

Long positions in Shares

Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding to total issued Shares
Earntrade	Beneficial owner and interest of a controlled corporation	2,238,789,644 (Note (a))	20.03%
Fung Shing	Beneficial owner	1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	15.46%
Bannock	Beneficial owner	1,088,784,847 (Note (a))	9.74%
Ms. Ng Lai King Pamela ("Ms. Ng")	Beneficial owner and interest of spouse	7,257,178,811 (Note (b))	64.92%

Notes:

(a) Bannock is a wholly-owned subsidiary of Earntrade. Earntrade was deemed to have interest in the Shares held by Bannock.

(b) Ms. Ng, who held 967,923,774 Shares directly, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to have interest in the 363,393,739 Shares and 5,925,861,298 Shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

Apart from the forgoing, as at 31 December 2018, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Company, SCHC and South China Financial Holdings Limited ("SCF"), both, being listed on the Stock Exchange, have certain common directors. The principal activities of SCHC and SCF include property investment or development business and provision of investment advisory or asset management services or dealing in securities.

Mr. Ng, Ms. Cheung and Mr. Gorges, all being Executive Directors of the Company, are also the executive directors of SCHC. Mr. Ng and Ms. Cheung are also the executive director of SCF. Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng"), an Executive Director of the Company, is also the non-executive director of SCHC and the executive director of SCF. Mr. Paul Ng, a Non-executive Director of the Company, is also an executive director of SCHC.

Mr. Ng is the chairman of the board and controlling shareholder of SCHC, is also chairman of board and substantial shareholder of SCF. Mr. Gorges and Ms. Cheung are the substantial shareholders of a controlled corporation of Mr. Ng, which, together with his associates, holds 63.24% interests in SCHC and Mr. Ng holds 29.36% interests in SCF.

Ms. Cheung holds certain shareholding interests in SCHC and SCF. Mr. Gorges holds certain shareholding interests in SCF. Ms. Jessica Ng holds certain shareholding interests in SCHC. Mr. Paul Ng holds certain shareholding interests in SCHC and SCF.

The Group seeks to undertake property development projects in smaller size and diversify into the financial services businesses while SCHC mainly focuses on the medium to large scale property investment and development projects.

The Group is in the course of diversifying into the financial services businesses while SCF undertakes a wide range of financial services businesses of sizable scale in operations and with solid client portfolio.

The abovementioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCHC or SCF compete or is likely to compete with each other and, therefore, do not control the Board as far as transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCHC or SCF, and the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of SCHC or SCF. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCHC or SCF is considered to be relatively remote.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with GEM Rule 17.50A(1), the changes to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of GEM Rule 17.50(2) of the GEM Listing Rules during the course of the Directors' terms of office for the period from date of publication of the Company's latest interim report up to the date of this annual report are set out below:

1. Ms. Jessica Ng has been appointed as chief executive officer of SCF with effect from 17 October 2018; and

2. Mr. Yeung Chi Hang has been appointed as a member of the Audit Committee of the Company with effect from 15 November 2018.

INDEMNITY OF DIRECTORS

Pursuant to the Company's Articles of Association, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgment is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as at the date of this report.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 34 to the consolidated financial statements.

COMPANY SECRETARY

Mr. Watt Ka Po James, the company secretary of the Company, is a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor is the compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2018 have been reviewed by the audit committee of the Company.

INDEPENDENT AUDITOR

The consolidated financial statements have been audited by Messrs. BDO Limited which would retire at the forthcoming AGM and being eligible, offers itself for re-appointment. A resolution to re-appoint Messrs. BDO Limited as the Independent Auditor and to authorize the Directors to fix its remuneration will be proposed to the Shareholders for approval at the forthcoming AGM.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 12 March 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders of the Company (the "Shareholders"). Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2018 except that Mr. Ng Hung Sang, the chairman of the board of directors and an executive director of the Company, Ms. Cheung Choi Ngor, an executive director of the Company and Mr. Ng Yuk Yeung, a non-executive director of the Company were unable to attend the annual general meeting of the Company held on 25 May 2018 as they had other business engagements, which deviated from code provisions E.1.2. and A.6.7 of the CG Code.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In addition, the board of directors of the Company (the "Board") has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Company, its subsidiaries or its securities.

Specific enquiries were made to all executive directors (the "Executive Directors"), non-executive directors (the "Non-executive Directors") and independent non-executive directors (the "Independent Non-executive Directors") of the Company (collectively, the "Directors") who confirmed that they had complied with the required standard of dealing and code of conduct regarding Directors' securities transactions during the year ended 31 December 2018.

CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the responsibilities of the corporate governance functions to the Audit Committee for compliance with the requirements of the CG Code. Under the terms of reference of the audit committee of the Company (the "Audit Committee"), it is responsible for carrying out at least the following:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

5. to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

During the year ended 31 December 2018 and up to the date of this annual report, the Audit Committee has reviewed and performed the aforesaid corporate governance functions.

BOARD OF DIRECTORS

The Board is responsible for the overall leadership and control of the Group, and is collectively responsible for promoting the Group's success by directing and supervising its affairs. In addition, the Board should take decisions objectively in the best interests of the Company and its subsidiaries (collectively, the "Group"). Day-to-day management of the business of the Group including implementation of strategies has been delegated to the executive committee of the Company (the "Executive Committee") which comprises all Executive Directors. The Executive Committee reports its work and business decisions to the Board periodically. In addition to the Executive Committee, the Audit Committee and the remuneration and nomination committee (the "Remuneration and Nomination Committee") have been established with their respective specific written terms of reference.

The chairman of the Board (the "Chairman") has encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Group. The Chairman has also encouraged Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect the Board's consensus.

Every Director was given sufficient time and attention to the Group's affairs during the year ended 31 December 2018.

The Company has arranged the Directors appropriate insurance coverage in respect of any legal action against any of them.

During the year under review, the Board was provided with (i) sufficient explanation and information to enable it to make an informed assessment of financial and other information put before it for approval, and (ii) monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail.

Composition of the Board

The composition of the Board during the year ended 31 December 2018 and up to the date of this report is as follows:

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director

Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors

Mr. Cheng Hong Kei
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Yeung Chi Hang

The biographical details of the Directors and the relevant relationships amongst them, if any, are set out in section headed "Directors' Biographical Details" of this annual report. An updated list of the Directors identifying the Independent Non-executive Directors, and the roles and functions of each Director is also maintained on the respective websites of the Stock Exchange and the Company.

The Board composition is reviewed regularly to ensure that it has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) is maintained to enable the Board to exercise independent judgment effectively.

Chairman and Chief Executive

Mr. Ng Hung Sang served as the Chairman throughout the year, who is responsible for providing leadership and management of the Board apart from taking primary responsibility for ensuring good corporate governance practices and procedures are established. The role of the Chairman is separate from that of the chief executive for achieving a clear division of separate responsibility and a balance of power and authority which in turn avoid concentrating of power in any one individual. Ms. Ng Yuk Mui Jessica, the executive vice chairman, has taken up the role of chief executive, who is responsible for the day-to-day management of the business of the Group.

The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

Board Diversity

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company has adopted a board diversity policy (the "Board Diversity Policy") since August 2013. Under the Board Diversity Policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of candidates for directorship, and all Board appointments are based on meritocracy.

Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the Board Diversity Policy and review the same as appropriate. The Remuneration and Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors to consider.

Board and Board Committee Meetings

The Board meets at least four (4) times a year. At least fourteen (14) days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda for the regular Board meeting. Agenda and Board papers are sent to all Directors at least three (3) days before the date on which each regular Board meeting (or other agreed period).

Directors can attend meetings in person or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles of Association").

The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees have recorded in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting views expressed by the Directors. Draft and final versions of minutes are circulated to the Directors for comments and records respectively within a reasonable time after each Board meeting is held.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

If a matter to be considered by the Board involves conflict of interests of any substantial or controlling shareholder of the Company or a Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors.

The Board ensures that there are sufficient Independent Non-executive Directors (who, and whose close associates, have no material interests in the transaction) participating in discussing and voting on the resolution for the transaction at the Board meeting.

Attendance at Board Meetings

Four (4) Board meetings, four (4) Audit Committee meetings, one (1) Remuneration and Nomination Committee meeting and one (1) annual general meeting ("AGM") were held during the year ended 31 December 2018. The attendance records of all Directors for these meetings are set out below:

	Number of Meetings attended/Eligible to attend			
Name of Directors	**Board**	**Audit Committee**	**Remuneration and Nomination Committee**	**Annual General Meeting**[2]
Executive Directors				
Mr. Ng Hung Sang (*Chairman*)	2/4	N/A	N/A	0/1
Ms. Cheung Choi Ngor	2/4	N/A	N/A	0/1
Mr. Richard Howard Gorges	4/4	N/A	N/A	1/1
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)	4/4	N/A	N/A	1/1
Non-executive Director				
Mr. Ng Yuk Yeung Paul	3/4	4/4	N/A	0/1
Independent Non-executive Directors				
Mr. Cheng Hong Kei	4/4	4/4	1/1	1/1
Ms. Pong Scarlett Oi Lan, BBS, J.P.	3/4	4/4	1/1	1/1
Mr. Yeung Chi Hang[1]	4/4	N/A	1/1	1/1

Notes:

1. Mr. Yeung Chi Hang was appointed as a member of the Audit Committee with effect from 15 November 2018.

2. AGM for 2018 was held on 25 May 2018.

N/A: not applicable

Access to Information

The Directors may seek independent professional advice in appropriate circumstance, at the Company's expense. The Company will, upon request, provide separate independent professional advice to Directors to assist them to discharge their duties to the Company.

The Board or Board committee is supplied with relevant information by the Company's senior management pertaining to matters to be brought before the Board or Board committee for decision as well as reports relating to the operational and financial performance of the Group before the Board or Board committee meeting. All such information supplied is complete and reliable. In the event that a Director does not rely purely on information provided voluntarily by the Company's senior management, such Director has the right to separately and independently access to the Company's senior management to make further enquiries where necessary.

Directors are entitled to have access to Board papers and related materials in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. A prompt and full response to a Director's enquiries is given if possible.

Appointments and re-election of Directors

All Non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term of three (3) years, subject to re-election.

Pursuant to the Articles of Association, all newly appointed Directors (including Non-executive Directors) shall hold office only until the next following AGM after his appointment (in the case of filling a casual vacancy) or until the next following AGM (in the case of an addition to the Board), and shall be eligible for re-election at that meeting.

All Directors, including those appointed for a specific term, are subject to retirement by rotation at least once every three (3) years.

Pursuant to Code Provision A.4.3, any further appointment of an independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by the shareholders of the Company. Notwithstanding that Ms. Pong Scarlett Oi Lan, BBS, J.P. has served as an Independent Non-executive Director of the Company for more than nine years, (i) the Board has assessed and reviewed her annual confirmation of independence under Rule 5.09 of the GEM Listing Rules and affirmed that Ms. Pong Scarlett Oi Lan, BBS, J.P. remains independent; (ii) the remuneration and nomination committee of the Company has assessed and is satisfied with the independence of Ms. Pong Scarlett Oi Lan, BBS, J.P.; and (iii) the Board considers that Ms. Pong Scarlett Oi Lan, BBS, J.P. remains independent of management and free of any relationship which could materially interfere with the exercise of her independent judgement. Despite the length of service of Ms. Pong Scarlett Oi Lan, BBS, J.P., the Company believes that she will continue to make her independent judgements in all related matters for the benefit of the Company and the shareholders as a whole.

Independent Non-executive Directors

During the year ended 31 December 2018, the Board all the time met the requirements of the GEM Listing Rules of having at least three (3) Independent Non-executive Directors, and the number of which representing at least one-third of the Board, with at least one (1) of them possessing appropriate professional qualifications or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. The views of the Independent Non-executive Directors carry weight in the Board's decisions, and their participation helps the Board exercise independent judgment, make decisions and act objectively in the interests of the Company and the Shareholders as a whole.

The Company has received from each Independent Non-executive Director a written annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all Independent Non-executive Directors are independent pursuant to Rule 5.09 of the GEM Listing Rules.

During the year under review, the Chairman met once with the Independent Non-executive Directors without the presence of other Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for establishing and maintaining appropriate and effective risk management and internal control systems. The Board assesses the effectiveness of the risk management and internal control systems through the ongoing reviews performed by the Audit Committee, the Company's senior management, the Company's internal audit department (the "Internal Audit Department") and external auditor. Taking into account the views of the Audit Committee, the Internal Audit Department formulates audit plan periodically and agrees the same with the Audit Committee and then reports its findings and recommendations to the Audit Committee which, in turn, reports to the Board on the effectiveness of the risk management and internal control systems. The audit plan covers the key financial, operational and compliance controls of the major business units on a rotation basis. The scope of and time budgeted for an audit assignment normally depend on the assessed risk level. The Audit Committee meets with the Internal Audit Department and external auditor at least twice a year. During the year under review, the Internal Audit Department reviewed the money lending business in Hong Kong and made a number of recommendations for improvement of control environment.

The risk management and internal control systems aim at safeguarding assets from inappropriate use and ensuring the maintenance of proper accounting records and compliance with the applicable ordinances, rules and regulations. The Board oversees the Company's senior management in the design, implementation and monitoring of the risk management and internal control systems which are designed to provide reasonable but not absolute assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The Internal Audit Department may also conduct ad hoc review in light of the concerns expressed by the Company's senior management or the Audit Committee from time to time, if any.

With the support of the relevant business unit managers, the Board identifies and assesses the key risks, existing or emerging, and formulates strategies and measures to mitigate the relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group. For each key risk identified, the risk register records the risk exposure estimation, current risk mitigation measures and further management actions to better control the risks. The Board has reviewed the Group's risk management and internal control systems for the year ended 31 December 2018. The review included considering risk register and the risk management and internal control evaluations conducted by the Audit Committee, the Company's senior management and the internal and external auditors.

PROCEDURE AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practical when it is the subject of a decision. The procedures and internal controls for handling and dissemination of inside information are as follows:

1. The Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012 and the provisions set forth in the Policy on Disclosure of Inside Information of the Company.

2. The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website.

3. The Group has strictly prohibited the unauthorized use of confidential or inside information.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board should present a balanced, clear and understandable assessment in the annual, interim and quarterly reports of the Company and other financial disclosures required under the GEM Listing Rules, and report to regulators as well as information required to be disclosed pursuant to applicable statutory requirements.

The Board has acknowledged its responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2018. In preparing the financial statements for the year, the Company's senior management provided sufficient explanation and information to the Board for making an informed assessment of financial and other information put before it for approval. In addition, the Board should prepare the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor of the Company about its reporting responsibilities in the financial statements of the Group is set out in the independent Auditor's Report from pages 57 to 58 of this annual report.

AUDITOR'S REMUNERATION

The fees paid/payable to the external auditor of the Company for the year ended 31 December 2018 in respect of the audit services provided to the Company and its subsidiaries amounted to HK$640,000.

AUDIT COMMITTEE

The Board has established an Audit Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Audit Committee currently consists of three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Audit Committee), Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang, and Mr. Ng Yuk Yeung Paul, a Non-executive Director.

The principal roles and functions of the Audit Committee include but are not limited to:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

3. to develop and implement policy on engaging an external auditor to supply non-audit services;

4. to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them, and the members of the Audit Committee should liaise with the Board and the Company's senior management and the Audit Committee must meet with the Company's external auditor at least twice a year;

5. to review the Company's financial controls, and unless expressly addressed by the Board itself, to review the Company's risk management and internal control systems;

6. to discuss the risk management and internal control systems with the Company's senior management to ensure that the Company's senior management has performed its duty to have effective systems;

7. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response of the Company's senior management to these findings;

8. to ensure co-ordination between the Internal Audit Department and the external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

9. to review the Group's financial and accounting policies and practices;

10. to review the external auditor's management letter, any material queries raised by the auditor to the Company about accounting records, financial accounts or control systems and the Company's response;

11. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and

12. to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

During the year under review, the Audit Committee met with the Company's senior management and the external auditor twice, where relevant, to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, and performed the following:

1. Reviewed whistleblowing policy and system for employees and parties dealing with the Company to raise complaints, in confidence, to the Audit Committee about improprieties or irregularities relating to the Company and/or the Directors, the Company's senior management, employees or advisers.

2. Reviewed the appointment and remuneration of BDO Limited, the external auditor of the Company and its non-audit services provided to the Group.

3. Reviewed the audit plans, scopes, methods and reporting formats proposed by BDO Limited.

4. Reviewed the internal and external audit reports, and the response of the Company's senior management to the reported findings.

5. Reviewed the quarterly, interim and annual financial statements, reports, and results announcement of the Group for the year under review prior to publication.

6. Reviewed the internal audit reports on risk management and internal control system.

7. Reviewed the Company's policies and practices on corporate governance.

8. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

There were two private sessions between the Audit Committee and the external auditor without the presence of management in the Audit Committee meetings held in 2018.

REMUNERATION AND NOMINATION COMMITTEE

The Board has established the Remuneration and Nomination Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Remuneration and Nomination Committee currently consists of three (3) Independent Non-executive Directors, namely Ms. Pong Scarlett Oi Lan, BBS, J.P. (chairman of the Remuneration and Nomination Committee), Mr. Cheng Hong Kei and Mr. Yeung Chi Hang.

The principal roles and functions of the Remuneration and Nomination Committee include but are not limited to:

Remuneration function

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and the Company's senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the Company senior management's remuneration proposals with reference to the Board's corporate goals and objective;

3. to make recommendations to the Board on the remuneration packages of individual Executive Director and the Company's senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of Non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and otherwise fair and not excessive;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

8. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Nomination function

9. to review the structure, size and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

10. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

11. to assess the independence of the Independent Non-executive Directors;

12. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive; and

13. to monitor the implementation of the Board Diversity Policy, review the Board Diversity Policy, as appropriate and make relevant recommendations to the Board for consideration and approval.

During the year under review, the Remuneration and Nomination Committee had performed the following:

1. Made recommendations to the Board on the remuneration packages of individual Executive Directors.

2. Reviewed the remuneration of Non-executive Directors (including Independent Non-executive Directors).

3. Reviewed the Group's remuneration policy.

4. Reviewed the structure, size and diversity of the Board.

5. Considered the skill, experience, expertise and personal quality of Mr. Yeung Chi Hang and recommended the Board to appoint him as a member of the Audit Committee of the Company.

6. Reviewed the confirmation of independence by the Independent Non-executive Directors.

7. Reviewed the re-election of the retiring Directors at the AGM held on 25 May 2018.

8. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

The Remuneration and Nomination Committee reviews the remuneration package annually, taking into consideration market practice, competitive market position and individual performance.

The Remuneration and Nomination Committee has adopted the model described in code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of Executive Directors and the Company's senior management.

The remuneration of each of the Non-executive Directors and Independent Non-executive Directors is determined by the Board under the recommendation of the Remuneration and Nomination Committee by reference to such Director's duties and responsibilities in the Group, time involvement and the prevailing market conditions.

NOMINATION POLICY

Objectives

The nomination policy (the "Nomination Policy") aims to provide the key selection criteria and principles for the Remuneration and Nomination Committee to identify and evaluate a candidate for recommendation to the Board for selection and appointment of a director of the Company, whether as an additional director or for replacement or otherwise.

Selection Criteria

The Remuneration and Nomination Committee shall consider a number of the factors in assessing the suitability of a proposed candidate to the Board, including but not limited to the following:

1. reputation for integrity;

2. balance of skill, experience, expertise and personal qualities that will be best complement the relevant business sectors of the Company and the overall effectiveness of the Board;

3. capability to devote adequate time for participation in meetings of the Board and all committees as delegated by the Board and attention to the Company's businesses, and commitment to the role;

4. diversity in all aspects, including but not limited to gender, age, cultural, educational and professional background, skills, knowledge and experience;

5. compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive director; and

6. any other relevant factors as may be determined by the Remuneration and Nomination Committee or the Board from time to time.

Nomination Procedures

1. If the Board determines that an additional or replacement director is required, the Board will notify the Remuneration and Nomination Committee the criteria and deploy various channels (including but not limited to referral from the current directors and shareholders) to source directorship candidates.

2. The Remuneration and Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company for election to the Board and the appointment or re-appointment of Directors and succession plan for Directors are subject to the final approval of the Board.

3. On making recommendation, the Remuneration and Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. The proposal must clearly indicate the nominating intention; and the candidate's consent to be nominated and biographical details that are required to be disclosed under the GEM Listing Rules, including the information and/or confirmation required under Rule 17.50(2) of the GEM Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

4. The Board shall observe its Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board might consider relevant and applicable from time to time towards achieving diversity of the Board.

5. Any eligible shareholder of the Company who desires to nominate a person to stand for election as a Director at a general meeting must lodge a written nomination of the candidate together with such person's consent to be nominated and biographical details to the attention of the Board within the lodgment period as more particularly set out in the circular to the shareholders of the Company.

6. Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the GEM Listing Rules.

Monitoring and Review and Amendment of the Nomination Policy

1. The Remuneration and Nomination Committee will from time to time review the Nomination Policy and monitor its implementation to ensure its effectiveness and compliance with regulatory requirements and good corporate governance practice.

2. The Nomination Policy has been approved by the Board. Any subsequent amendment of the Nomination Policy shall be reviewed by the Remuneration and Nomination Committee and approved by the Board.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director should receive a formal, comprehensive and tailored induction on appointment for ensuring that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a Director under applicable statute and common law, the GEM Listing Rules, legal and other regulatory requirements as well as the Company's business and governance policies.

All Directors are provided with regular updates on the performance and financial position of the Group to enable the Board as a whole and each Director to discharge their duties. In addition, updates on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements are provided to each Director to ensure compliance and enhance his awareness of good corporate governance practices.

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills for ensuring that their contribution to the Board remains informed and relevant. According to the training records maintained by the Company, the types of trainings received by the Directors during the year ended 31 December 2018 are summarized as follows:

	Type of Trainings	
	Attending seminars/ E-training/ conferences and/ or similar events	**Reading materials and updates**
Executive Directors		
Mr. Ng Hung Sang (*Chairman*)	✓	✓
Ms. Cheung Choi Ngor	✓	✓
Mr. Richard Howard Gorges	✓	✓
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)	✓	✓
Non-executive Director		
Mr. Ng Yuk Yeung Paul	✓	✓
Independent Non-executive Directors		
Mr. Cheng Hong Kei	✓	✓
Ms. Pong Scarlett Oi Lan, BBS, J.P.	✓	✓
Mr. Yeung Chi Hang	✓	✓

COMPANY SECRETARY

Mr. Watt Ka Po James ("Mr. Watt") has been appointed as the company secretary of the Company (the "Company Secretary") pursuant to Rule 5.14 of the GEM Listing Rules.

The Board has acknowledged that a company secretary plays a key role in advising the Company on corporate governance and other regulatory compliance matters. For discharging the aforesaid matters effectively and professionally, the Company Secretary must keep up-to-date with regulatory and legal developments relevant to the Company by means of continuous training and professional development. In addition, the Company Secretary has been regarded as a crucial conduit of communications between the Board and the senior management; the Company and the Shareholders; and the Company and the regulators.

Mr. Watt has complied with Rule 5.15 of the GEM Listing Rules by taking no less than 15 hours of relevant professional training during the year under review.

COMMUNICATION WITH SHAREHOLDERS

The Company uses general meeting, annual report, interim report, quarterly report, announcement, circular and its website as communication tools to keep the Shareholders informed of the matters of significance and latest development of the Group.

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

AGM is one of the channels on which the Directors meet with the Shareholders whose views can be addressed to the Board directly. At the AGM, separate resolution will be proposed by the chairman in respect of each substantially separate issue, and voting on each resolution will be conducted by poll. The chairman of the AGM ensures that an explanation is provided of the detailed procedures for conducting voting by poll and answers any questions from the Shareholders. The notice of AGM is distributed to the Shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the GEM Listing Rules. Voting results are posted on the websites of the Stock Exchange and the Company respectively on the day of the AGM.

Executive Directors, members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor will be available to attend the AGM to answer questions from the Shareholders and to gain and develop a balanced understanding of the views of from the Shareholders.

The Company has adopted a dividend policy, details of which are disclosed in the section headed "Dividend Policy" in the Directors' Report of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

Procedures for Shareholders to send enquiries to the Board

The Shareholders may send their enquiries, in written form, to the Board by addressing them to the Company Secretary at the Company's principal place of business in Hong Kong at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

Procedures for putting forward proposals at a shareholders' meeting

There is no provision allowing the Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association or the laws of the Cayman Islands. The Shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the "Procedures for Shareholders to Convene an Extraordinary General Meeting" set out above.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, there was no change in the Company's constitutional documents. The Articles of Associations of the Company are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors of the Company. The website of the Company contains the latest data and information of the Group so that the Shareholders, the investors and the public can get the information about the Company in a timely manner. The Company's website address is www.scassets.com.

Environmental, Social and Governance Report

Subsequent to the release of the Group's Environmental, Social and Governance Report for the financial year from 1 January 2017 to 31 December 2017, it is the Group's commitment to continuously reviewing and updating its Environmental, Social and Governance ("ESG") strategy and report by reference to the provisions set forth in Appendix 20 (Environmental, Social and Governance Reporting Guide) ("ESG Guide") of the GEM Listing Rules.

During the year under review, the Group continued to focus on four (4) key areas — (a) Environment; (b) Employment and Labour Practices; (c) Operation Practices; and (d) Community Investment, and to strive to balance the impacts of environmental protection and social responsibility in the Group's strategic plans for the purpose of driving sustainable value for the Group's stakeholders and the communities in which the operations of the Group are located. There were no significant changes in the Group's businesses, operation location and share capital structure during the year under review. This ESG Report was prepared by the Group ESG Committee and reviewed by the board of directors of the Company (the "Board").

Risk management is crucial for maintaining the Group's stable daily operation and quick response to the changing environment. With the support of the relevant business unit managers, the Board identifies and assesses the key risks, and formulates strategies and measures to mitigate such relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group, including those relating to ESG, which will be reviewed by the Board or any committee delegated by the Board as part of the risk management and internal control process.

The material aspects under the four (4) key areas — 1. Environment; 2. Employment and Labour Practices; 3. Operation Practices; and 4. Community Investment are set out as follows:

1. ENVIRONMENT

1.1 Emission:

Environmental protection plays a crucial role for a corporation's sustainability. It is the strategy of the Group to keep reducing the environmental impact from its operations, and to promote environmental protection within the Group, its marketplace and the communities in which the Group's operations are located. Notwithstanding the nature of business of the Group does not consume much energy and cause severe air and water pollution, the Group keeps minimizing the environmental impacts from its operations by means of:

(a) *Control of emission of greenhouse gases ("GHG")*

The Group has encouraged staff to (a) use environmentally-friendly public transportation, e.g. MTR for local travelling; (b) use video/audio conferences for business meetings for reducing the frequency of business travel by air so as to reduce direct and indirect emissions of GHG; and (c) use electronic messages, especially internal communications, for the purpose of reduction of paper consumption which in turn will be helpful for reduction of indirect emission of GHG.

Paper consumption is another main source of indirect GHG emissions. The Group has continuously implemented such guides as "Energy Efficiency of Lightings, Air Conditioning and Office Machines Services Guide" and "Recycle Paper and Toner Cartridge Services Guide" to manage the efficient use of resources in the Group's daily operations. In addition, the Group has implemented administrative measure to reduce paper consumption, e.g. e-leave system (application and approval of leave), e-pay slip (salary payment notification), e-internal communications, e-reports, printing on duplex mode, paperless storage and regular waster paper collection for recycling etc. In addition, the Group has encouraged its customers to use e-statements. For giving greater efforts in reduction of GHG emissions, the Group has arranged an independent recycling paper collector to collect used papers from the offices of the Group at regular intervals.

Emission summary:

Indicators	**2018**	2017	*Note*
Total GHG emissions (tonnes)	**48.8**	79.5	
Direct emissions (tonnes)[1]:	**–**	–	
Indirect emissions (tonnes):			
— Electricity	**21.4**	40.5	
— Business travel[2]	**26.3**	37.0	#
— Paper consumption	**1.1**	2.0	
GHG emissions avoided by recycling of used papers (tonnes)	**0.25**	1.2	

1 No company vehicle so no direct emission of GHG.

2 It is based on the International Civil Aviation Organization Carbon Emissions Calculator.

Note:

Business travel decreased by approximately 28.9% was mainly due to the change of meeting mode by video/audio conference.

(b) *Control of production of hazardous and non-hazardous wastes:*

In view of the nature of the Group's operations, it did not generate any hazardous wastes. Areas are designated in the offices of the Group for disposal of electronic equipment. The Group will arrange an independent third party collector to collect all scrapped electronic equipment for proper treatment. The Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge. The Group had only about 15 employees during the year under review, water consumption volume was about 0 m^3.

Waste summary:

Indicators	2018	2017	Note
Electronic equipment (pieces)	–	–	#

Note:

No electronic equipment was disposed of during the year under review

1.2 Use of Resources:

(a) Fuel (unleaded petrol) consumption and electricity consumption is respectively the main source of direct and indirect energy consumption. Both fuel and electricity consumptions are the main sources of GHG emissions. The Group issued an e-notice of "Save Our World and Build our Green Office" to all employees for promoting awareness of saving of water, energy and paper at work. In addition, an office of the Group has been using LED energy saving light tubes during the period under review. The results achieved by such improvements are reflected in the energy consumption summary below:

Energy consumption summary:

Indicators	2018	2017
Total energy consumption (KWh)	**33,916**	51,175
Direct energy consumption (unleaded petrol) (KWh)[1]:	–	–
Indirect emissions (electricity) (KWh):	**33,916**	51,175
Expenses on energy consumption (HK$'000):	**41.4**	62.5

[1] No company vehicle so no consumption of unleaded petrol.

(b) The Group is committed to conserving clean water. "Save Water" labels are placed in such water consumption areas as pantries and lavatories to remind employees not to waste water. As mentioned above, the Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge.

(c) During the year under review, the Group mainly engaged in various regulated activities, e.g. dealings in securities, advising on securities; money lending; and asset management. Therefore, the Group did not involve packaging materials.

1.3 Environmental and Natural Resources:

Environmental protection is a continuous process, including management of energy and water consumption, and waste production. During the year under review, such environmental protection measures as using energy saving fluorescent tubes and LED light tubes in office areas; and a notice of "Environmental Initiative and Cost Saving" to all staff to keep office area temperature at 25°C was issued, which would be monitored and reviewed regularly pursuant to the environmental and legal requirements.

2. EMPLOYMENT AND LABOUR PRACTICES

2.1 Employment:

"People Oriented" is the Group's persistent notion. In conformity with the principle of harmonious sustainable development, the Group continuously invests its available resources in providing a supportive, comfortable and healthy workplace for employees, and in fostering a caring community in the working environment.

The Group recognizes that attracting competent talents is important for its sustainable growth, so it is committed to providing fair and competitive remuneration package in form of salary and fringe benefits, e.g. personal and life insurance, paid leave and education sponsorship etc. apart from those mandatory employment-related benefits. It is the policy that salary of employees will be reviewed on an annual basis in December, and the eligible employees will be subject to performance appraisal evaluation to be carried out by the respective department heads and then endorsed by such employees, and all such evaluations are subject to the final approval by the relevant executive director or to whom that the director delegates. The Group Human Resources Department will provide a guideline of salary range of each category in light of the current market rate to each department head for reference for ensuring that the salary for each category of the Group remains competitive. In addition, the Group is committed to compliance with the code provisions set out in Appendix 15 of the GEM Listing Rules, regarding of remuneration of directors and senior management.

In order to provide a framework and guidance for ensuring (a) fairness in recruitment; (b) maximization of diversity of applicants; and (c) high caliber candidates are attracted and selected by taking into account of equal opportunities, anti-discrimination, non-harassment and prohibition of child and forced labour, such policies as "Recruitment Policy", "Equal Opportunities and Anti-Discrimination Policy" and "Code of Conduct" have been in force.

For (a) providing basic understanding of the Group's background, organization structures and business objectives; (b) safeguarding the agreed employment terms and conditions, e.g. working hours, probation period, rest periods, termination of employment, other fringe benefits; and (c) adherence to the relevant policies, systems and procedures etc., an orientation training will be provided for all newcomers by the Group Human Resources Department, and the Staff Handbook and the aforesaid policies are available in the Group's intranet folder (paperless for upholding of environmental protection) for reference at any time by the employees.

The Group explicitly opposes any discrimination on the grounds of age, gender, marital status, pregnancy, family status, race, nationality, religion and disability, and from time to time observes the provisions of such relevant laws as Employment Ordinance, Cap. 57, Employees' Compensation Ordinance, Cap. 282, Sex Discrimination Ordinance, Cap. 480, Disability Discrimination Ordinance, Cap. 487 and Race Discrimination Ordinance, Cap. 602 in Hong Kong.

The Group had 15 employees as at 31 December 2018. Indicators of employment type of each gender, employees' age group of each gender, geographical region of employment of each gender and turnover rate of each gender during the years of 2017 and 2018 are as follows:

(a) *Employment type and gender:*

Number of employees:	**2018**		2017	
	Male	**Female**	Male	Female
Management and Department Head	**2**	**0**	3	0
Managerial	**1**	**0**	1	0
Supervisory	**4**	**1**	2	0
General Staff	**6**	**1**	5	0

(b) *Employees' age group and gender:*

Number of employees:	**2018**		2017	
	Male	**Female**	Male	Female
18 ~ below 30	**1**	**0**	0	0
30 ~ below 50	**8**	**1**	10	0
50 and over	**4**	**1**	1	0

(c) *Geographical region and gender:*

Number of employees:	**2018**		2017	
	Male	**Female**	Male	Female
Hong Kong	**8**	**1**	6	0
PRC	**5**	**1**	5	0

(d) *Turnover rate:*

2018: The average turnover rate for the year of 2018 was about 2.1%

2017: The average turnover rate for the year of 2017 was about 4.6%

2.2 Health and Safety:

The Group is committed to providing employees a safety and healthy working environment by reference to such occupational safety and health publications issued by Occupational Safety and Health Council as Office Lighting, Design of Office Station, Office Stretching Exercises, Work Stress, Work Postures, Correct Use of Display Screen Equipment and OSH Guides for Computer Workstation.

All office premises of the Group are well-equipped with typical safety facilities, e.g. first-aid boxes, fire exits, fire extinguishers, fire detectors and sprinklers and emergency lights. In addition, employees are encouraged to participate to annual fire drill for emergency evacuation organized by the building management.

The Group Human Resources Department oversees the occupational health and safety matters. All occupational health and safety-related accidents must be reported to the Group Human Resources Department which will report all serious injuries and occupational diseases to the Board or any committee delegated by the Board as and when necessary. Staff has been notified that any potential or suspected occupational health and safety-related issues may be notified to the Group Human Resources Department by means of email to the designated email address. The Group Human Resources Department will carry out investigation and remedial actions as and when necessary.

During the year under review, the Group did not have any work-related fatalities. Number of reportable injuries, reportable occupational diseases and lost days due to work-related injury and occupational diseases are as follows:

Number of cases and lost days:	**2018**	2017
Number of reportable injuries[1]	**0**	0
Number of reportable occupational diseases[2]	**0**	0
Number of lost days due to reportable injuries	**0**	0
Number of lost days due to reportable occupational diseases	**0**	0

1 Any work-related injury resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong.

2 Any occupational disease resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance.

2.3 Development and Training:

For sustainable development of the Group and its employees, Employees Training and Development Policy continued in force during the year under review.

For compliance with the continuous professional training ("CPT") requirements for both corporations and persons carrying on regulated activities set out by the Securities and Futures Commission ("SFC"), the Group is committed to evaluate its training programs annually and to make commensurate adjustments, if necessary, to cater for the training needs of the relevant employees. For ensuring each license representative of the Group remains "fit and proper" at all times, each licence representative of the Group completed at least 5 CPT hours during the year under review for each regulated activity that the employee engaged.

For compliance with Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615 and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing ("AML Guideline") issued by the SFC, the Group provided appropriate Anti-Money Laundering and Counter-Terrorists Financing training to the relevant employees, including but not limited to introduction to the background to money laundering and terrorist financing ("AML/CTF") and the importance placed on AML/CTF by the Group to all new staff during the year under review.

Performance appraisal evaluation is an interactive exercise between an employee and his/her department head, which involves appraising an employee's past performance and identifying the employee's areas for improvement and enhancement for fulfillment of the agreed objectives. The Group encourages and supports employees to improve and enhance their knowledge and skills that are attributable to achievement of the agreed objectives by granting study and examination leave.

Number of employees trained by employment type and gender during the years of 2018 and 2017 are as follows:

Number of employees:	**2018**		2017	
	Male	**Female**	Male	Female
Management and Department Head	**2**	**0**	1	1
Managerial	**1**	**0**	2	0
Supervisory	**3**	**1**	0	0
General Staff	**2**	**0**	1	0

Average training hours completed per employee by employment type and gender during the years of 2018 and 2017 are as follows:

Number of training hours per employee:	**2018**		2017	
	Male	**Female**	Male	Female
Management and Department Head	**9**	**0**	23	1
Managerial	**20**	**0**	4	0
Supervisory	**4**	**13**	0	0
General Staff	**4**	**0**	7	0

2.4 Labour Standards:

The Group strictly complies with the Employment Ordinance in respect of employment in Hong Kong. As per the Recruitment Policy, employment of child and forced labour is strictly prohibited. In addition, all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. It is the policy that all employees are aged 18 and above. It is a standard procedure in screening stag that all interviewees are required to present their identity cards for inspection for ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18. In the event that any irregularities in ages, identities and/or validities of employment status is subsequently found, employment with all such concerned candidates will be immediately terminated, and the Group will report such incident to the relevant authorities as soon as possible.

No child labour was hired or subsequently found in both 2018 and 2017.

3. OPERATION PRACTICES

3.1 Supply Chain Management:

In consideration of the Group's provision of various regulated activities as mentioned in paragraph 1.2(c) above, supply chain management is not applicable.

3.2 Product Responsibility:

The Group is committed to maintain quality of its regulated activities by compliance with such prevailing guidelines and codes issued by the SFC as "Code of Conduct for Persons Licensed by or Registered with the SFC", "Corporate Finance Adviser Code of Conduct", AML Guidelines, "Fit and Proper Guidelines", "Guidelines on Competence", "Licensing Handbook" and "Guidelines on Continuous Professional Training".

To safeguard and maintain the Group's quality of services in provision of regulated activities, the Group's Compliance Department is responsible for handling all complaints (all other non-regulated service complaints, especially corruption or malpractice in nature, are handled by the Group's Internal Audit Department as more detailed set forth in paragraph 3.3 hereinbelow). Complainants may raise their complaints by means of email, facsimile, letter and telephone. The Group's Compliance Department is responsible for collection of all basic information of the complainant, including names and contact details, and the matter of complaint, and then notify the relevant department head on a strict confidential basis for investigation after basic review and evaluation. The outcome of evaluation (if no investigation is required) or of investigation will notify the complainant on a strict confidential basis.

Engagement of regulated activities is not subject to any recall for safety and health reasons, and the Group has not received any complaint about its regulated activities during the year under review.

The Group respects privacy rights of its stakeholders, and a privacy policy statement is published on its website (www.scassets.com). All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance, Cap. 486. Personal Information Collection Statement (PICS) will be provided for all candidates pertaining to employment, which sets out the purposes of personal data collection, disclosure, retention and storage. In addition, the Group is obliged to safeguard the personal data of its stakeholders and to use such data for specific purpose, e.g. verifying identity and checking creditability for provision of goods and services.

3.3 Anti-corruption:

The Group is committed to conducting its business activities legally and ethically, and zero-tolerance on any form of corruption or malpractice, such as bribery, money laundering, extortion or fraud. Anti-bribery Policy, Anti-Fraud Policy, Compliance Manual and AML Manual, are the main tools for safeguarding against corruption and malpractice. In addition, Code of Conduct stipulates no bribes, kickbacks or advantages solicited from or given to any person for any purposes, the way of handling gifts and other benefits valued at more than HK$500, and no violation of any applicable laws and ethical standards. The Internal Audit Department is responsible for reviewing and auditing the business activities.

During the year under review, there were no confirmed incidents in relation to corruption.

In addition, the Group encourages its stakeholders to report its employees' misconduct by reference to its Whistleblowing Policy and Procedures which are set out on the corporate website (www.scassets.com). Any complainant may raise his/her complaints against inappropriate and unlawful behavior or malpractice of any Group's employees (including its contractors and consultants) on confidential base, directly to the Group Internal Audit Department, without the fear of incrimination. The Group Internal Audit Department will review and evaluate the complaints, and then determine the mode of investigation. If the alleged misconduct, malpractice or irregularity is confirmed, a report prepared by the Group Internal Audit Department will then be circulated to the relevant department head and the Group Human Resources Department for the purpose of consideration and determination of any remedial and disciplinary actions to be taken. A summary of complaints received, results of such complaints and the actions taken will be made available to the Board on an annual basis.

4. COMMUNITY INVESTMENT

As a responsible corporate citizen, the Group uses its expertise and resources to support the communities in which it operates in such manner as helping people in need and organizing charitable events and donating funds raised by such events to local charities etc. During the year under review, the Group participated into "Jessica Run" organized by the Group's fellow subsidiary for raising funds for under-privilege. In addition, the Group encourages staff to participate organ donation organized by Department for Health.

The Group is a supporter for developing a healthy and green community, so it will not only continuously dedicates its efforts to protect the environment by controlling emissions of GHG, consumption of energy and water and waste production etc. But also participates in different events to contribute positivity to the communities in which it operates. In 2018, the Group has organized the environmental activity: "Battling against 16 degrees" to spread the message of environmental friendly. Thousands of people gathered at the Hong Kong Auxiliary Police Headquarters in Kowloon Bay to call for public attention to global warming and extreme weather.

Independent Auditor's Report

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To The Members of South China Assets Holdings Limited
南華資產控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of South China Assets Holdings Limited (the "Company") and its subsidiaries (herein referred to as the "Group") set out on pages 59 to 158, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Assessment of net realisable value of properties under development

Refer to notes 3.13, 4(a)(ii) and 19 to the consolidated financial statements.

The carrying value of the Group's properties under development was HK$132,362,000 as at 31 December 2018. The valuation of properties under development is based on the lower of cost and net realisable value. The calculations of the net realisable value are based on assumptions relating to future market developments and future changes in costs and price.

Because these estimates related to terms which vary periodically, the estimation uncertainty relating to the valuation of properties under development is significant.

OUR RESPONSE:

Our procedures in relation to the management's assessment of the net realisable value of properties under development included:

- Reviewing the calculations of the properties under development's net realisable value and assessing the reasonableness and consistency of the assumptions used by management;

- Verifying management's assumptions around the possibilities for future property development are consistent with underlying documentation which include the plans and decisions of government bodies;

- Testing the appropriateness of the management's assumptions concerning the development of sales prices to comparable sites; and

- Assessing the future costs based on underlying documentation and reasonableness.

Assessment of fair value of redeemable convertible preference shares ("RCPSs")

Refer to notes 3.11, 4(b), 17 and 36(g)(ii) to the consolidated financial statements.

As at 31 December 2018, the carrying amount of the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$202,519,000, of which the carrying amount of RCPSs issued by a related company is amounted to approximately HK$161,737,000.

The RCPSs in its entirety (including the embedded redemption option) were measured at fair value which were assessed by the management based on valuations performed by an independent valuer engaged by the Group.

We identified the valuation of RCPSs as a key audit matter as it requires management to exercise significant judgment and estimation, and was assessed by us to be a significant risk of material misstatement.

KEY AUDIT MATTERS *(Continued)*

Assessment of fair value of redeemable convertible preference shares ("RCPSs") *(Continued)*

OUR RESPONSE:

Our procedures in relation to management's fair value assessment of RCPSs included:

- Assessing the valuation methodology of fair value calculation on the RCPSs provided by the Group's independent professional valuer;
- Corroborating and reviewing the key assumptions and critical judgements used in the valuation;
- Reconciling the input data of the valuation provided by the Group's independent professional valuer to its supporting evidence; and
- Assessing the scope, expertise and independence of the independent professional valuer appointed by the Group.

OTHER INFORMATION IN THE ANNUAL REPORT

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 12 March 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**1,121**	1,736
Other operating income, net	6	**18,446**	65,452
Gain/(loss) on disposal of financial assets at fair value through other comprehensive income/available-for-sale financial assets		**5,835**	(1,951)
Fair value loss on financial assets at fair value through profit or loss		**(11,413)**	(8,239)
Fair value loss on redemption option embedded in redeemable convertible preference shares of a related company	17	**–**	(1,595)
Administrative and other operating expenses		**(23,578)**	(21,646)
Operating (loss)/profit	8	**(9,589)**	33,757
Finance costs	9	**(21,046)**	(26,372)
(Loss)/profit before income tax		**(30,635)**	7,385
Income tax credit/(expense)	10	**22,784**	(22,204)
Loss for the year attributable to equity holders of the Company		**(7,851)**	(14,819)
Loss per share attributable to equity holders of the Company for the year			
— Basic and diluted	12	**HK(0.07) cent**	HK(0.13) cent

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Loss for the year		**(7,851)**	(14,819)
Other comprehensive income, that will not be reclassified subsequently to profit or loss			
Fair value loss on financial assets at fair value through other comprehensive income	17	**(114,350)**	–
Other comprehensive income, that may be reclassified subsequently to profit or loss			
Release of available-for-sale financial assets revaluation reserve upon disposal of available-for-sale financial assets		–	4,613
Fair value loss on available-for-sale financial assets	17	–	(76,831)
Realisation of exchange reserve upon deregistration of a subsidiary		**(3,516)**	–
Exchange differences on translation of financial statements of overseas subsidiaries		**(13,922)**	25,411
Other comprehensive loss for the year, net of tax		**(131,788)**	(46,807)
Total comprehensive loss for the year attributable to equity holders of the Company		**(139,639)**	(61,626)

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**156**	485
Goodwill	16	**16,184**	17,068
Loans receivable	18	**1,048**	1,138
Deposits paid	21	**89**	–
Financial assets at fair value through other comprehensive income	17	**202,519**	–
Available-for-sale financial assets	17	**–**	339,455
		219,996	358,146
Current assets			
Loans receivable	18	**1,496**	1,934
Properties under development	19	**132,362**	130,308
Financial assets at fair value through profit or loss	20	**18,572**	29,985
Deposits paid, prepayments and other receivables	21	**26,923**	158,930
Tax recoverable		**722**	669
Cash and bank balances	22	**177,393**	190,577
		357,468	512,403
Current liabilities			
Trade payables	23	**1,595**	1,682
Other payables, accrued expenses and receipts in advance	24	**151,363**	188,383
Contract liabilities	24	**15,607**	–
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	17	**–**	12,595
Interest-bearing bank borrowing	25	**4,000**	4,000
Loan from a related company	26	**3,620**	–
Income tax payable		**–**	23,132
		176,185	229,792
Net current assets		**181,283**	282,611
Total assets less current liabilities		**401,279**	640,757

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Loans from shareholders	26	**364,020**	465,290
Net assets		**37,259**	175,467
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	27	**111,785**	111,785
Reserves	30	**(74,526)**	63,682
Total equity		**37,259**	175,467

On behalf of the Board

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital HK$'000	Treasury shares HK$'000	Capital reserve HK$'000	Financial assets revaluation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Employee compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 31 December 2016 and 1 January 2017	111,785	(20,191)	6,044	–	12,276	24,644	(9,476)	108,236	233,318
Transactions with owners									
Recognition of equity settled share-based compensation	–	–	–	–	–	3,811	–	–	3,811
Forfeiting of share award under share award scheme	–	–	–	–	–	(6,004)	–	6,004	–
Vesting of share award under share award scheme	–	–	–	–	–	(34)	–	(2)	(36)
Transactions with owners	–	–	–	–	–	(2,227)	–	6,002	3,775
Comprehensive income									
Loss for the year	–	–	–	–	–	–	–	(14,819)	(14,819)
Other comprehensive income									
Release of reserve upon disposal of available-for-sale financial assets	–	–	–	–	4,613	–	–	–	4,613
Change in fair value of available-for-sale financial assets (note 17)	–	–	–	–	(76,831)	–	–	–	(76,831)
Exchange realignment	–	–	–	–	–	–	25,411	–	25,411
Total comprehensive income for the year	–	–	–	–	(72,218)	–	25,411	(14,819)	(61,626)
At 31 December 2017	111,785	(20,191)	6,044	–	(59,942)	22,417	15,935	99,419	175,467

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital HK$'000	Treasury shares HK$'000	Capital reserve HK$'000	Financial assets revaluation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Employee compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 31 December 2017 as originally presented	111,785	(20,191)	6,044	–	(59,942)	22,417	15,935	99,419	175,467
Change in accounting policy									
Adoption of HKFRS 9 (note 2(a)A(i))	–	–	–	(63,047)	59,942	–	–	3,105	–
Restated balance at 1 January 2018	111,785	(20,191)	6,044	(63,047)	–	22,417	15,935	102,524	175,467
Transactions with owners									
Recognition of equity settled share-based compensation	–	–	–	–	–	1,431	–	–	1,431
Transactions with owners	–	–	–	–	–	1,431	–	–	1,431
Transfer between reserves									
Release of reserve upon disposal of financial assets at fair value through other comprehensive income (note 17)	–	–	–	8,542	–	–	–	(8,542)	–
Transfer between reserves	–	–	–	8,542	–	–	–	(8,542)	–
Comprehensive income									
Loss for the year	–	–	–	–	–	–	–	(7,851)	(7,851)
Other comprehensive income									
Change in fair value of financial assets at fair value through other comprehensive income (note 17)	–	–	–	(114,350)	–	–	–	–	(114,350)
Realisation of exchange reserve upon deregistration of a subsidiary	–	–	–	–	–	–	(3,516)	–	(3,516)
Exchange realignment	–	–	–	–	–	–	(13,922)	–	(13,922)
Total comprehensive income for the year	–	–	–	(114,350)	–	–	(17,438)	(7,851)	(139,639)
At 31 December 2018	111,785	(20,191)	6,044	(168,855)	–	23,848	(1,503)	86,131	37,259

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(30,635)**	7,385
Adjustments for:			
Gain on deregistration of a subsidiary	6	**(13,690)**	–
Interest income	6	**(1,964)**	(159)
Depreciation	8	**229**	270
(Gain)/loss on disposal of financial assets at fair value through other comprehensive income/ available-for-sale financial assets		**(5,835)**	1,951
Written off of property, plants and equipment	8	**74**	–
Fair value loss on financial assets at fair value through profit or loss		**11,413**	8,239
Fair value loss on redemption option embedded in redeemable convertible preference shares of a related company	17	**–**	1,595
Impairment of loans receivable, net	8	**11**	1,670
Equity settled share-based payment expenses	13	**1,431**	3,811
Interest expenses	9	**21,046**	26,372
Operating (loss)/profit before working capital changes		**(17,920)**	51,134
Decrease in deposits paid, prepayments and other receivables		**122,898**	187,377
Decrease in amounts due to related companies		**–**	(446)
(Decrease)/increase in other payables, accrued expenses and receipts in advance		**(15,196)**	9,005
Increase in contract liabilities		**16,461**	–
Increase in properties under development		**(8,301)**	(21,394)
Decrease in loans receivable		**517**	5,250
Cash generated from operations		**98,459**	230,926
Income tax paid		**–**	–
Net cash generated from operating activities		**98,459**	230,926

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Cash flows from investing activities			
Interest received	6	**1,964**	159
Additions of property, plant and equipment	15	**–**	(109)
Proceeds from redemption of redeemable convertible preference shares		**15,826**	11,469
Net cash generated from investing activities		**17,790**	11,519
Cash flows from financing activities			
Repayment interest-bearing bank loan		**–**	(7,000)
Repayment of loan from a related company		**–**	(75,500)
Repayment to shareholders		**(101,270)**	–
Loan from a related company		**3,541**	–
Interest paid		**(31,503)**	(3,457)
Net cash used in financing activities		**(129,232)**	(85,957)
Net (decrease)/increase in cash and cash equivalents		**(12,983)**	156,488
Cash and bank balances at 1 January		**190,577**	29,815
Effect of foreign exchange rate changes		**(201)**	4,274
Cash and bank balances at 31 December		**177,393**	190,577
Analysis of balances of cash and cash equivalents			
— Cash and bank balances	22	**177,393**	190,577

1. GENERAL INFORMATION

South China Assets Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and its principal place of business is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company's shares are listed on The GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements. The Company and its subsidiaries are together defined to as the "Group" hereafter.

The consolidated financial statements on pages 59 to 158 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the board of directors on 12 March 2019.

2. ADOPTION OF HKFRSs

(a) Adoption of new and revised HKFRSs — effective 1 January 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2018 *(Continued)*

A. HKFRS 9 — FINANCIAL INSTRUMENTS

(i) *Classification and measurement of financial instruments*

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated interim financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves and retained earnings as of 1 January 2018 as follows (increase/(decrease)):

	HK$'000
Retained earnings	
Retained earnings as at 31 December 2017	99,419
Reclassify financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company to financial assets at fair value through other comprehensive income ("FVOCI") (note 2(a)A(i)(2) below)	3,105
Restated retained earnings as at 1 January 2018	102,524
Available-for-sales financial asset reserve	
Reserve balance at 31 December 2017	(59,942)
Reclassify available-for-sale financial assets to financial assets at FVOCI (notes 2(a)A(i)(1) below)	59,942
Restated reserve balance as at 1 January 2018	–
Financial assets revaluation reserve	
Reserve balance at 31 December 2017	–
Reclassify investments from available-for-sale financial assets and financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company to financial assets at FVOCI (notes 2(a)A(i)(1) and (2) below)	(63,047)
Restated reserve balance as at 1 January 2018	(63,047)

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2018 *(Continued)*

A. HKFRS 9 — FINANCIAL INSTRUMENTS *(Continued)*

(i) *Classification and measurement of financial instruments* (Continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2018 *(Continued)*

A. HKFRS 9 — FINANCIAL INSTRUMENTS *(Continued)*

(i) *Classification and measurement of financial instruments* (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2018 *(Continued)*

A. HKFRS 9 — FINANCIAL INSTRUMENTS *(Continued)*

(i) *Classification and measurement of financial instruments (Continued)*

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
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.
FVOCI (equity instruments)	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.

(1) As of 1 January 2018, certain unquoted redeemable convertible preference shares and quoted ordinary shares issued by a related company of which its shares are listed on the Main Board of the Stock Exchange were reclassified from available-for-sale financial assets to financial assets at FVOCI. The unquoted redeemable convertible preference shares has no quoted price in an active market. The Group intends to hold these quoted and unquoted equity investments for long term strategic purposes. In addition, the Group has designated such quoted and unquoted equity instruments at the date of initial application as measured at FVOCI. As at 1 January 2018, the balance of available-for-sale financial asset reserve as at 31 December 2017 of HK$59,942,000 has been included in the opening financial assets revaluation reserve.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2018 *(Continued)*

A. HKFRS 9 — FINANCIAL INSTRUMENTS *(Continued)*

(i) *Classification and measurement of financial instruments* (Continued)

(2) As of 1 January 2018, the embedded derivative (i.e. the redemption option) related to the redeemable convertible preference shares issued by the abovementioned related company were reclassified from derivative financial liabilities to financial assets at FVOCI. The redeemable convertible preference shares is a hybrid contract containing a host that is an asset. Under HKFRS 9, the embedded derivative is no longer required to be separated from a host financial asset (i.e. redeemable convertible preference shares). Upon adoption of HKFRS 9, the entire investments in redeemable convertible preference shares were accounted for as financial assets at FVOCI. As at 1 January 2018, the previous fair value change arising from the derivative financial liabilities of HK$3,105,000 has been reclassified from retained earnings to financial assets revaluation reserve.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** HK$'000	**Carrying amount as at 1 January 2018 under HKFRS 9** HK$'000
Loans receivable	Loans and receivables	Amortised cost	3,072	3,072
Redeemable convertible preference shares and ordinary shares of a related company	Available-for-sale (at fair value) (note 2(a)A(i)(1))	FVOCI	339,455	339,455
Listed equity investments	FVTPL	FVTPL	29,985	29,985
Other receivables and deposits paid	Loans and receivables	Amortised cost	153,470	153,470
Cash and bank balances	Loans and receivables	Amortised cost	190,577	190,577

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2018 *(Continued)*

A. HKFRS 9 — FINANCIAL INSTRUMENTS *(Continued)*

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The ECLs of loans receivable, other receivables and deposits paid and cash and bank balances are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and 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, unless the Group has reasonable information that demonstrates otherwise.

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, unless the Group has reasonable and supportable information to demonstrate that a lagging default criteria is more appropriate.

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

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2018 *(Continued)*

A. HKFRS 9 — FINANCIAL INSTRUMENTS *(Continued)*

(ii) *Impairment of financial assets (Continued)*

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment of financial assets at amortised cost

Financial assets at amortised cost of the Group includes loans receivable, other receivables and deposit paid, and cash and bank balances. Applying the ECL model result in the recognition of was recorded ECL amounting to HK$ Nil on 1 January 2018 and a further ECL of approximately HK$31,000 was recorded for the year ended 31 December 2018.

(iii) *Hedge accounting*

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) *Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules, if any, are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2018 *(Continued)*

B. HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

Under HKFRS 15, a contract liability rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

As at 1 January 2018, the Group has contract liabilities of HK$16,460,000 (31 December 2017: HK$16,460,000 as receipts in advance from customers), which is included in 'other payables, accrued expenses and receipts in advance' in the consolidated statement of financial position. Except that, the adoption of HKFRS 15 has no significant financial impact on this financial information.

Impact on the consolidated statement of financial position as of 31 December 2018 (increase/(decrease)):

	Increase/ (decrease) HK$'000
Liabilities	
Other payables, accrued expenses and receipts in advance	(15,607)
Contract liabilities	15,607
Total current liabilities	–
Total liabilities	–
Total equity and liabilities	–

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2018 *(Continued)*

B. HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS ("HKFRS 15") *(Continued)*

The Group has adopted the requirements of HKFRS 15 and a number of interpretations and amendments to standards which have had an insignificant effect on the financial statements of the Group.

Except as described above regarding the impact of HKFRS 15 and HKFRS 9, the adoption of the above new/revised HKFRSs has no material impact on the Group's financial statements.

(b) New or revised HKFRSs that have been issued but are not yet effective

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

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019

2. ADOPTION OF HKFRSs *(Continued)*

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

HKFRS 16 — LEASES

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2018, the Group, as the lessee, has non-cancellable operating lease commitments of approximately HK$255,000 as disclosed in note 31(b). The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that the commitments due after 31 December 2019 will be required to be recognised in the combined statement of financial position as right-of-use assets and lease liabilities.

HK(IFRIC)-INT 23 — UNCERTAINTY OVER INCOME TAX TREATMENTS

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

AMENDMENTS TO HKFRS 9 — PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

2. ADOPTION OF HKFRSs *(Continued)*

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

ANNUAL IMPROVEMENTS TO HKFRSs 2015–2017 CYCLE — AMENDMENTS TO HKFRS 3, BUSINESS COMBINATIONS

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

ANNUAL IMPROVEMENTS TO HKFRSs 2015–2017 CYCLE — AMENDMENTS TO HKAS 12, INCOME TAXES

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

ANNUAL IMPROVEMENTS TO HKFRSs 2015–2017 CYCLE — AMENDMENTS TO HKAS 23, BORROWING COSTS

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Except as described above, the Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, financial assets at fair value through profit or loss and financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company which are measured at fair values as explained in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

3.2 Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

SUBSIDIARIES

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

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

3.3A Revenue recognition (accounting policies applied from 1 January 2018)

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3A Revenue recognition (accounting policies applied from 1 January 2018) *(Continued)*

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

— Interest income from loans receivable is recognised on a time-proportion basis using the effective Interest method by applying the rate discounting the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of financial assets.

— Bank interest income is recognised on a time-proportion basis using the effective interest method.

3.3B Revenue recognition (accounting policies until 31 December 2017)

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rending of services and the use by others of the Group's assets yielding interests and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

— Interest income from loans receivable is recognised on a time-proportion basis using the effective Interest method by applying the rate discounting the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of financial assets.

— Bank interest income is recognised on a time-proportion basis using the effective interest method.

3.3C Contract liabilities (accounting policies applied from 1 January 2018)

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such case, a corresponding receivable would also be recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and the exchange gain or loss so arising are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separated in the exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.6 Goodwill

Goodwill represents the excess of the consideration transferred and the amount recognised for non-controlling interests over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The consideration transferred is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually (note 3.9).

Any excess of the Group's interest in net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over the consideration transferred is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the management are determined following the Group's major product and service lines.

The Group has identified two reportable segments:

(a) "Financial services" segment which is engaged in provision of investment advisory and asset management services and money lending business; and

(b) "Property development" segment which is engaged in property development business in the People's Republic of China ("PRC").

Each of these operating segments is managed separately as each of the product and service line requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arm's length prices.

3.8 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses (note 3.9). The cost of an asset comprises its purchase price and the costs directly attributable to the acquisition of 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 costs, such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is provided using the straight-line method to write off the cost less their residual values over their estimated useful lives, as follows:

Leasehold improvement	3 years or over the lease term, whichever is shorter
Furniture and office equipment	4 to 5 years
Motor vehicles	5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Property, plant and equipment *(Continued)*

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

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

3.9 Impairment of non-financial assets

Goodwill, property, plant and equipment and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill in particular is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Impairment of non-financial assets *(Continued)*

Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 Leases

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

OPERATING LEASE CHARGES AS THE LESSEE

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made, over the term of lease. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Leasehold interests in land represent up-front payments to acquire the land use rights. Certain leasehold interests in land are included in properties under development (note 3.13).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(A) Financial Instruments (accounting policies applied from 1 January 2018)

(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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(A) Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(i) FINANCIAL ASSETS *(Continued)*

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, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

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

(ii) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and on hand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(A) Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iii) IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

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

The ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will based on the lifetime ECLs.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(A) Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iii) IMPAIRMENT LOSS ON FINANCIAL ASSETS *(Continued)*

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

As at 31 December 2018, the provision for impairment losses is determined as follows:

— Receivables that are subject to provision for impairment losses on the individual basis

  If expected credit risk assessment indicates that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made. Basis for determining provision of bad debts on individual basis is based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

— Receivables that are subject to provision for impairment losses on the grouping basis

  The Group classifies receivables into several groupings in accordance with credit risk characteristics and measures ECL on the basis of groupings. the Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, based on default risk exposure and the expected credit loss rate for the next twelve months or entire lifetime, to calculates the expected credit loss.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(A) Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iv) FINANCIAL LIABILITIES

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(A) Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iv) FINANCIAL LIABILITIES *(Continued)*

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, accrued expenses, bank borrowings and loan from a related company, 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.

(v) 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.

(vi) SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares issued by the Company are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

(vii) DERECOGNITION

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(B) Financial Instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) FINANCIAL ASSETS

The Group's financial assets are classified as loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition, depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial assets.

Derecognition of financial assets occurs 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 HKAS 39.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

The effective interest method is a method of calculating the amortised cost of the financial instruments 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 instruments, or where appropriate, a shorter period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(B) Financial Instruments (accounting policies applied until 31 December 2017) *(Continued)*

(i) FINANCIAL ASSETS *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are mainly financial assets held for trading and they may be designated upon initial recognition as at fair value through profit or loss. They are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and on hand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(B) Financial Instruments (accounting policies applied until 31 December 2017) *(Continued)*

(iii) IMPAIRMENT LOSS ON FINANCIAL ASSETS

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Loans and receivables

For the loans and receivables carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment for impairment.

The amount of any impairment identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(B) Financial Instruments (accounting policies applied until 31 December 2017) *(Continued)*

(iii) IMPAIRMENT LOSS ON FINANCIAL ASSETS *(Continued)*

Loans and receivables (Continued)

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss of the period in which the impairment occurs. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in subsequent period, the amount of the estimated impairment loss increase or decrease because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. When the Group is satisfied that recovery of loans receivable is remote, the amount considered irrecoverable is written off against loans receivable directly and any amounts held in the allowance account in respect of that receivable are reversed. If a write-off is later recovered, the recovery is credited to profit or loss.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

The Group's financial liabilities are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Management determines the classification of its financial liabilities at initial recognition depending on the purpose for which the financial liabilities were incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(B) Financial Instruments (accounting policies applied until 31 December 2017) *(Continued)*

(iii) IMPAIRMENT LOSS ON FINANCIAL ASSETS *(Continued)*

Available-for-sale financial assets (Continued)
Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(iv) FINANCIAL LIABILITIES

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11(B) Financial Instruments (accounting policies applied until 31 December 2017) *(Continued)*

(iv) FINANCIAL LIABILITIES *(Continued)*

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost, using the effective interest method. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.5).

(v) SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares issued by the Company are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

3.12 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Accounting for income tax *(Continued)*

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

Current tax assets and current tax liabilities are presented in net if, and only if:

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Properties under development

Properties held under development for future sale in the ordinary course of business are included in current assets and comprise certain land held under operating lease (note 3.10), capitalised depreciation of certain property, plant and equipment (note 3.8), borrowing costs capitalised (note 3.5) and aggregate cost of development, materials and constructions, wages, other direct expenses and an appropriate portion of overheads.

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses.

On completion, the properties are transferred to properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

3.14 Pension obligations and employee benefits

DEFINED CONTRIBUTION PLAN

Pensions to employees are provided through a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Pension obligations and employee benefits *(Continued)*

DEFINED CONTRIBUTION PLAN *(Continued)*

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The Scheme is responsible for the entire pension obligations payable to the retired employees and the obligation of the Group under these plans is limited to the fixed percentage contribution payable. Contributions under the Scheme are recognised as an expense in profit or loss as employees rendered services during the year.

SHORT-TERM EMPLOYEE BENEFITS

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

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.15 Share-based employee compensation

SHARE OPTION SCHEME

The Group operates equity settled share-based compensation plan for remuneration of its employees.

All employee 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 share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Share-based employee compensation *(Continued)*

SHARE OPTION SCHEME *(Continued)*

Upon exercise of share options, the amount previously recognised in employee compensation reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained profits.

SHARE AWARD SCHEME

The Group operates a share award plan which allows it to issue equity-settled share-based payments to selected employees.

For the award granted to the employees, the fair value of the employee services received in exchange for the grant of the share award is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The share award plan also allows the Group to issue other shares to selected employees, the fair value of the awards granted and measured as the Group's liability at the end of each reporting period, taking into account the terms and conditions on which the other shares are awarded.

All share-based compensation is recognised as an expense in profit or loss unless if qualifies for recognition as asset. If vesting periods or other vesting conditions apply, the expense is recognised over the vest period, based on the best available estimate of the number of shard options expected to vest. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 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);

(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); or

(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 parent of the Group.

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

(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, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

The Group makes estimates and assumptions concerning the future. Such estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Critical judgements in applying accounting policies

(i) ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(a) Critical judgements in applying accounting policies *(Continued)*

(ii) PROVISION OF WRITE-DOWN OF PROPERTIES UNDER DEVELOPMENT

Management of the Group reviews the estimation of net realisable value of the properties under development at the end of each reporting period, and makes provision for impairment loss, if any. These estimates are based on the management's monitoring of the development progress, and the market conditions which may affect the future cost and the sales price. It could change as a result of changes in market conditions or internal factors of the Group. Such changes will have impact on the net realisable value of the properties under development and the provision for impairment in the period, and therefore the Group need to reassesses theses estimates at the end of each report period.

(iii) IMPAIRMENT OF OTHER RECEIVABLES

The Group's management assesses the collectability of other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate based on, where appropriate, the evaluation of an ageing analysis of the receivables and on the management's judgement. If the financial condition of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting dates. The carrying amounts of other receivables are disclosed in note 21.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

FAIR VALUE MEASUREMENT

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

FAIR VALUE MEASUREMENT *(Continued)*

The fair value measurement of the Group's financial assets and financial 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: unadjusted quoted prices in active markets for identical assets or liabilities;

— Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

— Level 3: unobservable inputs are inputs for which market data are not available.

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

The Group measures a number of items at fair value:

— Financial assets at fair value through profit or loss (note 20)

— Financial assets at fair value through other comprehensive income (note 17)

— Available-for-sale financial assets (note 17)

— Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company (note 17)

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

5. REVENUE

There was no revenue recorded for the Group's property development projects for the years ended 31 December 2018 and 2017. Since the Group's property development projects are still in development stage, the Group will resume and recognise revenue upon the projects' completion and sale.

During the year, the Group has recorded interest income from loans receivable for financial services related business.

	2018 **HK$'000**	2017 HK$'000
Interest income from loans receivable	**1,121**	1,736

6. OTHER OPERATING INCOME, NET

	2018 **HK$'000**	2017 HK$'000
Bank interest income	**1,964**	159
Gain on deregistration of a subsidiary (note)	**13,690**	–
Sundry income	**44**	2,551
Other income, net (note 21)	**2,748**	62,742
	18,446	65,452

Note:

Pursuant to an approval of deregistration issued by a PRC local authority, one of the Group's wholly owned subsidiaries, 瀋陽南華鴻泰房地產開發有限公司("南華鴻泰") was deregistered during the year. With reference to the legal opinion of the Group's PRC legal advisor, the Group's management considered that the obligation of the Group on the settlement of the liabilities of 南華鴻泰 was fully discharged following the deregistration. Accordingly, the Group has recorded a gain on deregistration of 南華鴻泰 of approximately HK$13,690,000 during the year.

7. SEGMENT INFORMATION

The management have identified the Group's two business segments as reportable segments as further described in note 3.7.

These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

7. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2018

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment revenue:			
Revenue from external customers	1,121	–	1,121
Other income, net	2	16,800	16,802
	1,123	16,800	17,923
Segment profit/(loss)	(4,932)	16,144	11,212
Unallocated corporate income			1,644
Unallocated corporate expenses			(17,009)
Fair value loss on financial assets at fair value through profit or loss			(11,413)
Gain on disposal of financial assets at fair value through other comprehensive income			5,835
Unallocated finance costs			(20,904)
Loss before income tax			(30,635)
Income tax credit			22,784
Loss for the year			(7,851)

	Financial services HK$'000	Property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other segment information				
Depreciation of property, plant and equipment	(45)	(112)	(94)	(251)
Impairment on loans receivable, net	(11)	(–)	(–)	(11)

7. SEGMENT INFORMATION *(Continued)*

As at 31 December 2018

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment assets	23,313	134,031	157,344
Financial assets at fair value through other comprehensive income			202,519
Financial assets at fair value through profit or loss			18,572
Other corporate assets			199,029
Total assets			577,464
Segment liabilities	5,202	22,583	27,785
Loans from shareholders			364,020
Other corporate liabilities *			148,400
Total liabilities			540,205

* Including accrued shareholders' loans interest.

7. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2017

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
SEGMENT REVENUE:			
Revenue from external customers	1,736	–	1,736
Other income, net	4	62,899	62,903
	1,740	62,899	64,639
Segment profit/(loss)	(5,533)	59,382	53,849
Unallocated corporate income			2,549
Unallocated corporate expenses			(11,025)
Fair value loss on financial assets at fair value through profit or loss			(8,239)
Fair value loss on redemption option embedded in redeemable convertible preference shares of a related company			(1,595)
Loss on disposal of available-for-sale financial assets			(1,951)
Unallocated finance costs			(26,203)
Profit before income tax			7,385
Income tax expense			(22,204)
Loss for the year			(14,819)

7. SEGMENT INFORMATION *(Continued)*

	Financial services HK$'000	Property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other segment information				
Additions to non-current segment assets	109	–	–	109
Depreciation of property, plant and equipment	(40)	(207)	(129)	(376)
Impairment on loans receivable, net	(1,670)	–	–	(1,670)

As at 31 December 2017

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment assets	32,346	304,183	336,529
Available-for-sale financial assets			339,455
Financial assets at fair value through profit or loss			29,985
Other corporate assets			164,580
Total assets			870,549
Segment liabilities	4,786	42,970	47,756
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company			12,595
Loans from shareholders			465,290
Other corporate liabilities *			169,441
Total liabilities			695,082

* Including accrued shareholders' loans interest.

7. SEGMENT INFORMATION *(Continued)*

The Group's non-current assets by geographical areas are presented as followings:

	2018 HK$'000	2017 HK$'000
Hong Kong	**219,975**	340,867
PRC	**21**	17,279
	219,996	358,146

The Group's other income by geographical areas are presented as followings:

	2018 HK$'000	2017 HK$'000
Hong Kong	**1,646**	2,553
PRC	**16,800**	62,899
	18,446	65,452

The Group's geographical information of revenue from external customers are not presented as the revenue for the years ended 31 December 2018 and 2017 are attributable to a single geographical region, Hong Kong, and the Group did not depend on any single customer under each of the segments for the years ended 31 December 2018 and 2017.

8. OPERATING (LOSS)/PROFIT

	2018 HK$'000	2017 HK$'000
Operating (loss)/profit is arrived at after charging/(crediting):		
Auditor's remuneration		
— Audit services	**640**	620
— Non-audit services	**–**	6
	640	626
Exchange loss/(gain), net	**7,387**	(2,547)
Depreciation (note 15)	**251**	376
Less: Depreciation capitalised in properties under development	**(22)**	(106)
Depreciation charged to profit or loss	**229**	270
Written off of property, plant and equipment (note 15)	**74**	–
Impairment of loans receivable, net (note 18)	**11**	1,670
Employee benefit expense (including directors' emoluments)	**9,957**	11,823
Less: Employee benefit expense capitalised in properties under development (note 13)	**(422)**	(528)
Employee benefit expense (including directors' emoluments) charged to profit or loss (note 13)	**9,535**	11,295
Operating leases rentals	**2,185**	2,170

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest charged on bank borrowing	**142**	169
Interest charged on loan from a related company	**192**	3,288
Interest charged on loans from shareholders	**20,712**	22,915
Total interest expenses	**21,046**	26,372

No interests were capitalised during the years ended 31 December 2017 and 2018 arose on the general borrowing pool to expenditures on qualifying assets incurred.

10. INCOME TAX CREDIT/(EXPENSE)

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profits arising in or derived from Hong Kong for the years ended 31 December 2018 and 2017.

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax ("EIT") at the standard rate of 25% on the estimated assessable profits for the year ended 31 December 2017. No provision for EIT has been made as the subsidiaries operated in the PRC had no assessable profits for the year ended 31 December 2018. The income tax credit provided for the year represents reversal of over provision in respect of prior years.

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

	2018 **HK$'000**	2017 HK$'000
(Loss)/profit before income tax	**(30,635)**	7,385
Tax at the applicable tax rates, calculated at the rates applicable to the tax jurisdiction concerned	**(4,997)**	6,481
Tax effect of non-deductible expenses	**6,988**	15,485
Tax effect of non-taxable income	**(4,455)**	(1,617)
Tax effect of tax losses not recognised	**2,456**	1,868
Tax effect on temporary difference not recognised	**8**	(13)
Over provision in respect of prior years (Note)	**(22,784)**	–
Income tax (credit)/expense	**(22,784)**	22,204

Note:

With reference to 稅務事項通知書 issued by the PRC tax authority and the legal opinion of the Group's PRC legal advisor, the directors of the Company are on the view that after the deregistration of 南華鴻泰 (note 6), the tax provision of 南華鴻泰 provided in prior year, amounting to approximately HK$22,784,000 was fully discharged. Accordingly, the Group has recorded income tax credit of approximately HK$22,784,000 during the year.

As at 31 December 2018, the Group has estimated unused tax losses of approximately HK$134,697,000 (2017: HK$125,589,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK$131,609,000 (2017: HK$121,441,000) and the remaining tax losses of approximately HK$3,088,000 (2017: HK$4,148,000) are subject to expiry period of five years.

10. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

Withholding tax was calculated at 5% of the dividend declared in respect of profits earned by PRC entities to a Hong Kong investor. Deferred taxation of approximately HK$2,953,000 for year ended 31 December 2017 has not been provided for in the consolidated financial statements in respect of the tax that would be payable on the distribution of the retained profits of approximately HK$59,068,000 as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

No deferred taxation for year ended 31 December 2018 since these PRC subsidiaries generated loss and no retained profits as at 31 December 2018.

11. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of reporting periods.

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

	2018 **HK$'000**	2017 HK$'000
Loss for the year attributable to equity holders of the Company, used in the basic loss per share calculation	**(7,851)**	(14,819)

	2018	2017
Weighted average number of ordinary shares in issue during the year	**11,178,498,344**	11,178,498,344
Less: Weighted average number of shares held for share award scheme	**(169,163,118)**	(169,163,118)
Weighted average number of ordinary shares used in the basic loss per share calculation	**11,009,335,226**	11,009,335,226

Diluted loss per share for the years ended 31 December 2018 and 2017 are the same as the basic loss per share. The Company's share options have no dilution effect for the years ended 31 December 2018 and 2017 because the exercise price of the Company's share options were higher than the average market price of the share for the years.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2018	2017
	HK$'000	HK$'000
Wages and salaries	**8,220**	7,732
Equity settled share-based payment expenses	**1,431**	3,811
Defined contribution plans	**306**	280
Less: Wages and salaries and pension costs capitalised in properties under development (note 8)	**(422)**	(528)
Total employee benefit expense charged to profit or loss	**9,535**	11,295
Employee benefit expense charged to profit or loss:		
Wages and salaries	**7,890**	7,296
Equity settled share-based payment expenses	**1,431**	3,811
Defined contribution plan	**214**	188
	9,535	11,295

Included in employee benefit expense is senior management personnel compensation and comprises the following categories:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,505**	1,844
Equity settled share-based payment expenses	**1,431**	3,249
Defined contribution plan	**54**	36
	3,990	5,129

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2018	2017
	HK$'000	HK$'000
Fees	**420**	411
Other emoluments:		
Equity settled share-based payment expenses	**1,022**	2,849
	1,442	3,260

During the year, certain directors of the Company were granted share options, in respect of their services to the Group, under the share option scheme of the Company, details are set out in note 28(B) to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the measurement is the same as the Group's accounting policy applicable for share-based payment transactions (see note 3.15).

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments paid or payable to the directors of the Company and the chief executive were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity settled share-based payment expenses HK$'000	Defined contribution plans HK$'000	Total HK$'000
Year ended 31 December 2018					
Executive directors					
Ng Hung Sang	**–**	**–**	**–**	**–**	**–**
Richard Howard Gorges	**–**	**–**	**–**	**–**	**–**
Cheung Choi Ngor	**–**	**–**	**409**	**–**	**409**
Ng Yuk Mui Jessica	**–**	**–**	**–**	**–**	**–**
Non-Executive directors					
Ng Yuk Yeung Paul	**100**	**–**	**613**	**–**	**713**
Independent non-executive directors					
Pong Scarlett Oi Lan	**120**	**–**	**–**	**–**	**120**
Yeung Chi Hang (note iii)	**100**	**–**	**–**	**–**	**100**
Cheng Hong Kei (note iv)	**100**	**–**	**–**	**–**	**100**
	420	**–**	**1,022**	**–**	**1,442**
Year ended 31 December 2017					
Executive directors					
Ng Hung Sang	–	–	–	–	–
Richard Howard Gorges	–	–	–	–	–
Cheung Choi Ngor	–	–	928	–	928
Law Albert Yu Kwan (note i)	–	–	528	–	528
Ng Yuk Mui Jessica	–	–	–	–	–
Non-Executive directors					
Ng Yuk Yeung Paul	100	–	1,393	–	1,493
Independent non-executive directors					
Pong Scarlett Oi Lan	120	–	–	–	120
Leung Tony Ka Tung (note ii)	54	–	–	–	54
Yeung Chi Hang (note iii)	32	–	–	–	32
Cheng Hong Kei (note iv)	76	–	–	–	76
Chan Mei Bo Mabel (note v)	29	–	–	–	29
	411	–	2,849	–	3,260

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(i) Mr. Law Albert Yu Kwan has resigned as an executive director of the Company on 1 July 2017.

(ii) Mr. Leung Tony Ka Tung has retired, and ceased to be an Independent non-executive director of the Company on 14 June 2017.

(iii) Mr. Yeung Chi Hang has been appointed as an Independent non-executive director of the Company on 6 September 2017.

(iv) Mr. Cheung Hong Kei has been appointed as an Independent non-executive director of the Company on 31 March 2017.

(v) Ms. Chan Mei Bo Mabel has resigned as an Independent non-executive director of the Company on 31 March 2017.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2017: three) directors whose emoluments was reflected in the analysis presented above. The emoluments payable to the three (2017: two) individuals during the year who were also members of senior management of the Group are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and benefits in kind	**2,405**	1,744
Defined contribution plans	**54**	36
	2,459	1,780

Their emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	–
	3	2

During the year, no amount was paid by the Group to the director or the three (2017: two) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2016 and 1 January 2017				
Cost	1,465	2,994	283	4,742
Accumulated depreciation	(1,401)	(2,406)	(204)	(4,011)
Net book amount	64	588	79	731
Year ended 31 December 2017				
Opening net book amount	64	588	79	731
Additions	100	9	–	109
Depreciation (note 8)	(78)	(269)	(29)	(376)
Exchange realignment	2	14	5	21
Closing net book amount	88	342	55	485
At 31 December 2017				
Cost	1,676	3,081	305	5,062
Accumulated depreciation	(1,588)	(2,739)	(250)	(4,577)
Net book amount	88	342	55	485
Year ended 31 December 2018				
Opening net book amount	88	342	55	485
Depreciation (note 8)	(20)	(202)	(29)	(251)
Write-off (note 8)	–	(56)	(18)	(74)
Exchange realignment	–	(3)	(1)	(4)
Closing net book amount	68	81	7	156
At 31 December 2018				
Cost	1,594	2,350	140	4,084
Accumulated depreciation	(1,526)	(2,269)	(133)	(3,928)
Net book amount	68	81	7	156

16. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2018 HK$'000	2017 HK$'000
At 1 January		
Gross and net carrying amount	**17,068**	16,207
For the year ended		
Net carrying amount at the beginning of year	**17,068**	16,207
Exchange realignment	**(884)**	861
Net carrying amount at the end of year	**16,184**	17,068
At 31 December		
Gross and net carrying amount	**16,184**	17,068

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating units of property development.

The recoverable amount for the cash generating units was determined based on the value-in-use calculations, covering a detailed four-year budget plan which represents the business cycle and strategy plan of the Group's property development segment and discount rate of 6% (2017: 6%) estimated by the management.

The key assumption has been determined based on past performance and expectations for the market development after taking into consideration published market forecast and research. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the considerations described in determining the value-in-use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the market development.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, AVAILABLE-FOR-SALE FINANCIAL ASSETS AND FINANCIAL LIABILITIES IN RESPECT OF REDEMPTION OPTION EMBEDDED IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF A RELATED COMPANY

Financial assets at fair value through other comprehensive income represented approximately 390.7 million (2017: Available-for-sale financial assets represented approximately 410.5 million) redeemable convertible preference shares and 212,405,565 listed ordinary shares (2017: 212,405,565) issued by a related company of which its shares are listed on the Main Board of the Stock Exchange and were designated as financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets) by the Group. A director/major shareholder of the Company has controlling interests in the related company.

The investment in the redeemable convertible preference shares were previously separated into two components classified as "available-for-sale financial assets" and "financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company". Upon adoption of HKFRS 9, the Group applied the requirements in HKFRS 9 to the entire contract and present the derivative component (i.e. the embedded redemption option) of redeemable convertible preference shares with the host contract in financial asset at FVOCI. Details of the transition are set out in note 2(a)A(i) to the consolidated financial statements.

The fair values of the redeemable convertible preference shares as at 31 December 2018, the host equity instrument element and the embedded redemption option as at 31 December 2017, are determined by the directors of the Company with reference to the valuation carried out at that date by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group.

The fair value of the listed ordinary shares has been determined by reference to their quoted bid prices at the reporting date in an active market.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, AVAILABLE-FOR-SALE FINANCIAL ASSETS AND FINANCIAL LIABILITIES IN RESPECT OF REDEMPTION OPTION EMBEDDED IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF A RELATED COMPANY *(Continued)*

The movements of the carrying amounts of the financial assets at fair value through other comprehensive income, the available-for-sale financial assets and the embedded redemption option of the redeemable convertible preference shares, are as follows:

	Listed ordinary shares included as financial assets at fair value through other comprehensive income HK$'000	Redeemable convertible preference shares included as financial assets at fair value through other comprehensive income HK$'000	Listed ordinary shares included as available-for-sale financial assets HK$'000	Host equity instrument element of the redeemable convertible preference shares included as available-for-sale financial assets HK$'000	Redemption option embedded in the redeemable convertible preference shares HK$'000
Net carrying amount at 1 January 2017	–	–	–	425,622	(11,529)
Bonus shares issued (note (a))	–	–	77,528	(77,528)	–
Redeemed during the year (note (b))	–	–	–	(9,336)	529
Change in fair value	–	–	–	–	–
— credited to equity	–	–	(11,682)	(65,149)	–
— credited to profit or loss	–	–	–	–	(1,595)
Net carrying amount at 31 December 2017	–	–	65,846	273,609	(12,595)
Adoption of HKFRS9	65,846	261,014	(65,846)	(273,609)	12,595
Net carrying amount at 1 January 2018	65,846	261,014	–	–	–
Redeemed during the year (note b))	–	(9,991)	–	–	–
Change in fair value					
— credit to equity	(25,064)	(89,286)	–	–	–
Net carrying amount at 31 December 2018	40,782	161,737	–	–	–

Notes:

(a) Pursuant to the extraordinary general meeting held on 23 December 2016 by the related company, the related company had proposed bonus issue and allotment of bonus shares to its holders of redeemable convertible preference shares issued on 7 October 2015, on the basis of 1 bonus share (the "Bonus Share(s)") for every 4 shares that could be converted on an "as converted" basis. Accordingly, 212,405,565 bonus shares offered by the related company were received by the Company and measured at fair value on 10 January 2017.

(b) During the year, the related party redeemed approximately 19.8 million (2017: 14.3 million) of redeemable convertible preference shares at HK$0.8 (2017: HK$0.8) per share. The total fair value of the disposed redeemable convertible preference shares at the respective disposal date is HK$9,991,000 for the year. Accordingly, a disposal gain of approximately HK$5,835,000 was recognised. The accumulated losses of approximately HK$8,542,000 previously recorded under other comprehensive income were transferred to retained earnings.

18. LOANS RECEIVABLE

The Group's loans receivable arose from the money lending business. Loans receivable bear interest determined on case by case basis and have credit periods mutually agreed between the contractual parties.

	2018	2017
	HK$'000	HK$'000
Loans receivable	**10,501**	10,337
Less: provision for impairment losses	**(7,957)**	(7,265)
	2,544	3,072
Less: Non-current portion	**(1,048)**	(1,138)
Current portion	**1,496**	1,934

The loans receivable relate to a diversified portfolio of customers and there is no significant concentration of credit risk.

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity date, net provision, as follows:

	2018	2017
	HK$'000	HK$'000
Repayable:		
On demand	**11**	208
Within 3 months	**444**	441
3 months to 1 year	**1,041**	1,285
1 to 5 years	**1,048**	1,138
	2,544	3,072

18. LOANS RECEIVABLE *(Continued)*

Movements in the provision for impairment of loans receivable are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	7,265	5,292
Impairment losses recognised (note 8)	692	1,973
At 31 December	7,957	7,265
Recovery of loans receivable written off in previous years (note 8)	681	303

Included in the above impairment of loans receivable is a provision for individually impaired loans receivable of approximately HK$7,862,000 (2017: HK$7,209,000) and collectively impaired loans receivable of approximately HK$95,000 (2017: HK$56,000) as at 31 December 2018 with carrying amounts before provision of approximately HK$7,862,000 (2017: HK$8,154,000) and HK$2,639,000 (2017: HK$2,183,000), respectively. The individually impaired loans receivable relate to customers that were in default or delinquency in payments or entered bankruptcy or other financing reorganisation and only a portion of the receivables is expected to be recovered.

The ageing analysis of the loans receivable that are neither individually nor collectively considered to be impaired is as follows:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	2,533	2,864
1–90 days past due	11	35
91–180 days past due	–	173
	2,544	3,072

Loans receivable that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

As at 31 December 2018 and 2017, the Group does not hold any collateral nor other credit enhancement over these balances in general.

19. PROPERTIES UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
Leasehold interests in land located in the PRC, at cost	**45,733**	40,907
Development costs and other direct attributable expenses capitalised	**86,629**	89,401
	132,362	130,308

	2018 HK$'000	2017 HK$'000
Balance at beginning of the year	**130,308**	101,422
Additions	**8,323**	21,500
Exchange realignment	**(6,269)**	7,386
Balance at end of the year	**132,362**	130,308

In September 2018, a PRC wholly-owned subsidiary ("Cangzhou Subsidiary") of the Company received a notice from the land bureau in Cangzhou, Hebei Province, the PRC (the "Cangzhou Land Bureau"), specifying the decision on repossession of a piece of land site owned by Cangzhou Subsidiary, which is located at Huanghua City, Hebei Province, the PRC (the "Relevant Land"). The carrying amount of the Relevant Land under properties under development as at 31 December 2018 was approximately HK$25,725,000. In October 2018, Cangzhou Subsidiary applied to the provincial land bureau in Hebei (the "Hebei Land Bureau") for administrative review on the land repossession decision of the Cangzhou Land Bureau (the "Administrative Review"). For the purpose of seeking mediation through negotiation with the Cangzhou Land Bureau, Cangzhou Subsidiary applied to the Hebei Land Bureau to temporarily suspend the process of the Administrative Review, and the application was duly accepted by the Hebei Land Bureau in December 2018. As the mediation process had not been finalised as at 31 December 2018, the Administration Review is still valid and its validity would not be adversely affected. The Group's management, with reference to the legal opinion of the Group's PRC legal advisor, are of the view that the legal ownership of Cangzhou Subsidiary in the Relevant Land remained unchanged as at 31 December 2018. Accordingly, the Group controls the Relevant Land and has the right to obtain economic benefits from it.

The Group's management performed impairment test for the properties under development and concluded that the net realisable value of the properties under development being higher than the respective carrying value. Accordingly, no impairment loss is provided on properties under development for the years ended 31 December 2018 and 2017.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss represented the equity securities listed in Hong Kong. Fair value of the listed equity securities has been determined by reference to their quoted bid prices at the reporting date in an active market.

21. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments	**6,053**	5,460
Other receivables and deposits paid (note)	**20,959**	153,470
	27,012	158,930
Less: Non-current portion	**(89)**	–
Current portion	**26,923**	158,930

Note:

During the year ended 31 December 2016, one of the Group's property projects located in Shenyang ("Shenyang Project") was under litigation (the "Litigation") with certain land bureaus in Shenyang, the PRC (collectively referred to the "Shenyang Land Bureaus"), and the Group had been negotiating for compensation and related reliefs as the Shenyang Land Bureaus have not fulfilled the agreed demolition work on the site. In March 2017, the Supreme Peoples' Court of the PRC has ruled in favor of the Group's claims in the Litigation (the "2017 Litigation Judgement"). According to the 2017 Litigation Judgement, the Shenyang Land Bureaus was obliged to pay the Group as compensation claims (the "Claims"). The Claims, after netting off other receivables brought forward from 31 December 2016 of approximately HK$26,074,000 and a related one-off expense payable, was recorded as other operating income of approximately HK$62,742,000 (note 6) during the year ended 31 December 2017. Included in the other receivables as at 31 December 2017, of approximately HK$130,952,000 (the "Claims Receivables") represented the outstanding Claims receivables in relation to the 2017 Litigation Judgement. Such Claims Receivables were fully settled during the year.

The remaining balance mainly comprises of deposits paid for other property development projects of the Group.

22. CASH AND BANK BALANCES

	Note	**2018** **HK$'000**	2017 HK$'000
Cash at bank and in hand	(a)	**20,707**	190,577
Short-term bank deposits denominated in RMB	(b)	**153,180**	–
Short-term bank deposits denominated in HK$	(c)	**3,506**	–
	(d)	**177,393**	190,577

Note:

(a) Cash at banks earns interest at the floating rates based on the daily bank deposit rates.

(b) Short-term bank deposits denominated in RMB, with maturities less than three months, earn interest at fixed bank deposit at rates ranged from 1.25% to 1.65% per annum.

(c) Short-term bank deposits denominated in HK$, with maturities less than three months, earn interest at fixed bank deposit at rates 1.45% per annum.

(d) As at 31 December 2018, the Group had cash and bank balances denominated in Renminbi ("RMB") of approximately HK$1,716,000 (2017: HK$2,212,000) deposited with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The fair values of the cash at banks are not materially different from their carrying amounts because of the short maturity period on their inception.

23. TRADE PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. Ageing analysis of trade payables as at the reporting dates, based on the invoice dates, is as follows:

	2018 **HK$'000**	2017 HK$'000
Over 180 days	**1,595**	1,682

The balances are short term in nature and hence, the directors of the Company consider that the carrying amounts of trade payables are approximate to their fair values.

24. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE/ CONTRACT LIABILITIES

	2018	2017
	HK$'000	HK$'000
Other payables	**1,355**	12,089
Accrued expenses (note (a))	**150,008**	159,834
Receipts in advance (note (b))	**–**	16,460
	151,363	188,383
Contract liabilities (note (b))	**15,607**	–

Notes:

(a) As at 31 December 2018, accrued expenses included accrued interest expenses on the loans from shareholders of approximately HK$147,210,000 (2017: HK$157,753,000) in respect of the loans made available to the Group. The accrued interest were unsecured, non-interest bearing and repayable on demand.

(b) The deposits received from pre-sale of properties of HK$16,460,000 under HKAS 18 were reclassified to contract liabilities in the consolidated statement of financial position at the date of initial application (1 January 2018). The comparative information is not restated.

Movements in contract liabilities and receipts in advance:

	Contract liabilities arising from property development	**Receipts in advance**
	HK$'000	HK$'000
Balance as at 31 December 2017	–	16,460
Adoption of HKFRS 15	16,460	(16,460)
Balance as at 1 January 2018	16,460	–
Exchange alignment	(853)	–
Balance as at 31 December 2018	15,607	–

No revenue relates to the contract liability balance at the beginning of the year was recognised during the current reporting period until all the revenue recognition criteria are met.

25. INTEREST-BEARING BANK BORROWING

	2018 HK$'000	2017 HK$'000
Current		
Bank loan due for repayment which contain a repayment on demand clause — unsecured and guaranteed	**4,000**	4,000

The bank loan is guaranteed by the Company and bears interest at floating rate of 2.5% per annum above the HIBOR.

The Group's banking facilities are amounting to HK$4,000,000 (2017: HK$8,000,000), of which HK$4,000,000 (2017: HK$4,000,000) have been utilised as at 31 December 2018.

26. LOANS FROM SHAREHOLDERS AND A RELATED COMPANY

As at 31 December 2018 and 2017, loans from substantial shareholders are unsecured and bear interest at floating rate with reference to the prime lending rate as established from time to time by The Hong Kong and Shanghai Banking Corporation Limited, except for the loans from shareholders amounted to HK$3,500,000 (2017: HK$7,000,000) which are interest free.

As at 31 December 2018, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2019. As at 31 December 2017, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2018. The directors of the Company consider that the fair values of the loans are not materially different from their carrying amounts as at 31 December 2018 and 2017.

As at 31 December 2018, loan from a related company of approximately HK$3,620,000 was unsecured, bear interest at 12% and repayable within 1 year. A director/major shareholder of the Company is also the director of parent of the related company.

27. SHARE CAPITAL

	2018 Number of shares	2018 HK$'000	2017 Number of shares	2017 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**100,000,000,000**	**1,000,000**	100,000,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**11,178,498,344**	**111,785**	11,178,498,344	111,785

28. SHARE OPTION SCHEME

The 2012 Share option scheme (the "2012 Scheme")

The Company's 2012 Scheme was approved by shareholders of the Company and became effective on 8 May 2012.

Particulars of the 2012 Scheme as required under the GEM Listing Rules are set out below:

(A) SUMMARY OF THE 2012 SCHEME

(i) *Purpose of the 2012 Scheme*

The purpose of the 2012 Scheme is to provide incentives or rewards to the Employees (as defined in sub-section headed "Participants of the 2012 Scheme" below) and other person(s) for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds any equity interest.

(ii) *Participants of the 2012 Scheme*

The board of directors of the Company (the "Board") or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), business partner, agent, consultant, contractor, representative of any member of the Group, invested entity, client or supplier, advisor, any other group or classes of participants and shareholder who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the 2012 Scheme.

28. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(A) SUMMARY OF THE 2012 SCHEME *(Continued)*

(iii) *Total number of Shares available for issue under the 2012 Scheme*

The total number of Shares available for issue under the share options, which may be granted under the 2012 Scheme shall not exceed 1,117,849,834 Shares, being 10% of the total number of Shares in issue as at the date of passing the resolution to adopt the 2012 Scheme.

(iv) *Maximum entitlement of each participant*

No Participants shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

(v) *Period within which the Shares must be taken up under an option*

An option may be exercised in accordance with the terms of the 2012 Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

(vi) *Minimum period, if any, for which an option must be held before it can be exercised*

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

(vii) *Amount payable upon acceptance of the option and the period within which the payment must be made*

HK$1.00 shall be paid within 28 days from the date of offer of the option.

(viii) *Basis of determining the exercise price of the option*

The exercise price for Shares under the 2012 Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(3) the nominal value of a Share.

28. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(A) SUMMARY OF THE 2012 SCHEME *(Continued)*

(ix) *Remaining life of the 2012 Scheme*

Subject to early termination of the 2012 Scheme pursuant to the terms thereof, the 2012 Scheme shall be valid and effective for a period of 10 years commencing from the date on which the 2012 Scheme becomes effective, i.e. 8 May 2012 and ending on 7 May 2022.

During the year, the Company did not grant any share options under the 2012 Scheme (2017: Nil).

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year ended 31 December 2018 were as follows:

	Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2018	Granted during the year	Exercise during the year	Forfeited during the year	Cancelled during the year	Balance as at 31/12/2018	Date of grant of share option	Exercisable Periods of share options (Note ii)	Exercise price per share option HK$	Immediately preceding the grant date of share option (Note iii) HK$	Immediately preceding the exercise date of share option (Note iv) HK$
Directors											
Cheung Choi Ngor	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Ng Yuk Yeung Paul	83,840,000	–	–	–	–	83,840,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Others											
Ng Yuk Fung Peter	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Sub-total	195,632,000	–	–	–	–	195,632,000					

28. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year ended 31 December 2017 were as follows:

	Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2017	Granted during the year	Exercise during the year	Forfeited during the year (Note i)	Cancelled during the year	Balance as at 31/12/2017	Date of grant of share option	Exercisable Periods of share options (Note ii)	Exercise price per share option HK$	Immediately preceding the grant date of share option (Note iii) HK$	Immediately preceding the exercise date of share option (Note iv) HK$
Directors											
Law Albert Yu Kwan	55,896,000	–	–	(55,896,000)	–	–	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Cheung Choi Ngor	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Ng Yuk Yeung Paul	83,840,000	–	–	–	–	83,840,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Others											
Ng Yuk Fung Peter	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Sub-total	251,528,000	–	–	(55,896,000)	–	195,632,000					

Notes:

(i) Director Mr. Law Albert Yu Kwan resigned during the year ended 31 December 2017. The share options of Mr. Law was fully forfeited during the year ended 31 December 2017.

(ii) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	**Exercisable percentage**
Within 36 months	Nil
37th–48th months	30%
49th–60th months	60%
61th–120th months	100%

(iii) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.

(iv) The weighted average closing price of the shares immediately before the date on which the options are exercised.

28. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

Notes: (Continued)

(v) The fair values of share options granted under the 2012 Scheme on 1 October 2013, 15 January 2014, 28 April 2014 and 7 May 2014 and measured at the respective date of grant was approximately HK$44,289,000, HK$1,118,000, HK$848,000 and HK$400,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**1 Oct 2013**	**15 Jan 2014**	**28 Apr 2014**	**7 May 2014**
Expected volatility	54.276%	53.559%	52.875%	52.836%
Expected life (in years)	10.0	10.0	10.0	10.0
Risk free interest rate	2.049%	2.306%	2.164%	2.040%
Expected dividend yield	Nil	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(vi) During the year, employee compensation expense of HK$1,431,000 has been recognised in profit or loss (2017: HK$3,777,000) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

(vii) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2018		2017	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Balance at 1 January	**195,632,000**	**0.188**	251,528,000	0.188
Forfeit	**–**	**–**	(55,896,000)	–
Balance at 31 December	**195,632,000**	**0.188**	195,632,000	0.188

The options outstanding at 31 December 2018 and 2017 had exercise prices of HK$0.188 and a weighted average remaining contractual life of 4 years and 5 years, respectively.

29. SHARE AWARD SCHEME

A share award scheme (the "Share Award Scheme") was adopted by the Board of the Company on 18 March 2011 (the "Adoption Date"). The specific objectives of the Share Award Scheme are to recognise the contributions by certain employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for the development of the Group.

The Board may, from time to time, at its sole discretion select any employee (the "Selected Employee") of any member of the Group for participation in the Share Award Scheme and determine the number of awarded shares to be awarded to the Selected Employees by taking into consideration matters including the general financial condition of the Group and the rank and performance of the relevant Selected Employee.

The Company shall settle a sum of up to and not exceeding HK$50,000,000 for the purpose of purchase of such number of shares and/or other shares (as the case maybe) to be awarded by the Board to the Selected Employee(s) under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no further settlement of the amount to the Trust Fund shall be made on or after 10th anniversary date of the Adoption Date.

Details of the Share Award Scheme are set out in the Company's announcements dated 18 March 2011, 5 November 2013 and 7 December 2014.

In accordance with the Share Award Scheme, the Awards shall be released subject to the vesting periods ranged from 18 months to 33 months from the date of grant of the awards.

No award was granted, vested and forfeited of the Company's shares and other shares during the year ended 31 December 2018.

29. SHARE AWARD SCHEME *(Continued)*

Awards vested and forfeited of the other shares during the year ended 31 December 2017 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2017	Awards granted during the year	Aggregate Awards vested during the year	Aggregate Awards forfeited during the year	Balance as at 31/12/2017
Employees in aggregate	30/11/2017	–	136,000	(136,000)	–	–
Total		–	136,000	(136,000)	–	–

There were 136,000 share awards granted during the year ended 31 December 2017. The fair value of the share awards granted of other shares under the Share Award Scheme during the year ended 31 December 2017 is approximately HK$34,000 and measured at the date of grant. Fair value of an award at the grant date is determined by reference to the market price immediately available before the grant date. Without vesting condition, the share awards vested immediately at the grant date. The share-based payment expenses for the other shares as recognised in profit or loss are approximately HK$34,000 for the year ended 31 December 2017. 136,000 numbers of other shares was released under the Share Award Scheme for the year ended 31 December 2017. No shares were being forfeited during the year ended 31 December 2017.

No award was granted, vested and forfeited of the Company's shares during the year ended 31 December 2017.

30. RESERVES

The amount of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on pages 63 to 64.

Group

TREASURY SHARES

	2018		2017	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Balance brought forward and carried forward	**169,163,118**	**20,191**	169,163,118	20,191

The Company acquired its own shares through one of its subsidiaries in the open market which are held as treasury shares, and will be used to satisfy the awards granted under the Share Award Scheme (note 29); the relevant shares are available for resale and have been included in treasury shares, shown as a component of the reserves of the Company.

30. RESERVES *(Continued)*

Company

	Treasury shares HK$'000	Capital reserve HK$'000	Employee compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2017	(20,191)	652	24,644	47,266	52,371
Vesting of share award under share award scheme	–	–	(34)	(2)	(36)
Recognition of equity settled share-based compensation	–	–	3,811	–	3,811
Forfeiting of share award under share award scheme	–	–	(6,004)	6,004	–
Loss for the year	–	–	–	(19,436)	(19,436)
At 31 December 2017 and 1 January 2018	(20,191)	652	22,417	33,832	36,710
Recognition of equity settled share-based compensation	–	–	1,431	–	1,431
Loss for the year	–	–	–	(113,776)	(113,776)
At 31 December 2018	(20,191)	652	23,848	(79,944)	(75,635)

The Company's reserves available for distribution represent the capital reserve and capital contribution reserve, which were offset by accumulated losses.

31. OPERATING LEASE COMMITMENTS

(a) As lessor

As at 31 December 2018 and 2017, there are no future minimum lease receipts under non-cancellable operating leases with its tenants falling due.

(b) As lessee

As at 31 December 2018 and 2017, the total future minimum lease payments under non-cancellable operating leases payments by the Group are as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**170**	–
In the second to fifth years, inclusive	**85**	–
	255	–

The Group leased only one office under operating lease arrangement, with leases negotiated for initial terms of two years (2017: one to two). No operating lease commitment as at 31 December 2017, as the tenancy agreement ceased during the year ended 31 December 2017 and no renewal on rental agreement. None of the leases include contingent rentals.

32. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	HK$'000
Contracted but not provided for:		
— Expenditure in respect of properties under development	**21,073**	5,716
	21,073	5,716

33. CONTINGENT LIABILITIES

As at 31 December 2018 and 2017, the Group does not have any significant contingent liabilities.

34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions during the year:

	2018	2017
	HK$'000	HK$'000
(i) Interest expenses charged by shareholders	**20,712**	22,915
(ii) Interest expenses charged by related companies	**192**	3,288
(iii) Rental and building management fee charged by a related company	**2,136**	1,924
(iv) Purchase of travel related products	**31**	130

Details of the balances with related parties at the reporting date are included in note 26 to the consolidated financial statements.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related companies. A director/major shareholder of the Company has controlling interests in the related companies or being the director of the parent of the related companies.

Compensation of key management personnel of the Group:

Details of their remuneration are disclosed in notes 13 to 14 the consolidated financial statements.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

		Financing cash flow			Non-cash changes	
	As at 1 January 2017 HK$'000	Proceed received HK$'000	Repayment of principal HK$'000	Interest paid HK$'000	Interest expense recognised HK$'000	At 31 December 2017 HK$'000
Year ended 31 December 2017						
Loan from a related company	75,500	–	(75,500)	(3,288)	3,288	–
Loan from shareholder	465,290	–	–	–	–	465,290
Bank borrowings	11,000	–	(7,000)	(169)	169	4,000
	551,790	–	(82,500)	(3,457)	3,457	469,290

		Financing cash flow			Non-cash changes		
	As at 1 January 2018 HK$'000	**Proceed received HK$'000**	**Repayment of principal HK$'000**	**Interest paid HK$'000**	**Interest expense recognised HK$'000**	**Effect of foreign exchange rate changes HK$'000**	**At 31 December 2018 HK$'000**
Year ended 31 December 2018							
Loan from a related company	**–**	**3,541**	**–**	**(106)**	**192**	**(7)**	**3,620**
Loan from shareholder	**465,290**	**–**	**(101,270)**	**–**	**–**	**–**	**364,020**
Accrued interest on the loans from shareholders (note 24(a))	**157,753**	**–**	**–**	**(31,255)**	**20,712**	**–**	**147,210**
Bank borrowings	**4,000**	**–**	**–**	**(142)**	**142**	**–**	**4,000**
	627,043	**3,541**	**(101,270)**	**(31,503)**	**21,046**	**(7)**	**518,850**

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the Group's management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, credit risk and liquidity risk. The Group's exposure to these risks is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group's financial assets include financial assets at fair value through other comprehensive income, available-for-sale financial assets, financial assets at fair value through profit or loss, loans and other receivables and cash and bank balances. The Group's financial liabilities include trade and other payables, loans from a related company and shareholders, interest-bearing bank borrowing and financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company.

(a) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has foreign currency exposures. Such exposures arise from the balance of assets and liabilities in currencies other than the functional currency of the Group's entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are considered significant by the directors of the Company are stated as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Assets:		
RMB	**172,605**	146,490
US$	**–**	163,976
	172,605	310,466
Liabilities:		
RMB	**(3,035)**	(14,024)
Net exposure to foreign currency risk	**10,697**	296,422

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Foreign currency risk *(Continued)*

The Group's policy requires the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate and may enter into foreign currency options or forward contract, when and where appropriate.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the year and held constant throughout the years. Under the Linked Exchange Rate System in Hong Kong HK$ is pegged to US$, management considers that there is no significant foreign exchange risk with respect to US$.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit or loss and equity in regards to a 5% depreciation in their functional currencies against the foreign currencies. The analysis is performed on the same basis for 2017.

	Effect on profit or loss and equity	
	2018	2017
	HK$'000	HK$'000
RMB	**8,479**	6,623

The same percentage appreciation in the functional currencies of the Group's entities against the respective foreign currencies would have the same magnitude on the Group's profit or loss and equity but of opposite effect.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Group has no significant interest-bearing assets other than cash and bank balances, the income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest-bearing bank borrowing, loans from shareholders and a related company which bore floating interest. These borrowings carry at variable rates expose the Group to cash flow interest rate risk.

The Group's objective is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Interest rate risk *(Continued)*

SENSITIVITY ANALYSIS

The following table demonstrates the sensitivity of the Group's profit or loss and equity at the reporting date to a reasonably possible change in interest rate, with all other variables held constant.

	Increase in interest rate	Effect on profit or loss and equity
	%	HK$'000
2018	**0.5**	**(1,522)**
2017	0.5	(1,135)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period. The assumed changes in interest rates are considered to be reasonably possible changes on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rates over the next twelve month period. The analysis is performed on the same basis for 2017.

The same percentage decrease in interest rate would have the same magnitude on the Group's profit or loss and equity but of opposite effect, on the basis that all variables remain constant. The assumed changes have no impact on the Group's other components of equity.

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

The Group's policy is to deal only with creditworthy counterparties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Group continuously monitors the recoverability of amounts due from customers and other counterparties, assess impairment of the receivable either individually or by group, and incorporates this information into its credit risk controls and the Group's exposure to bad debts is not significant. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk *(Continued)*

In respect of other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics at the reporting dates. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There is no concentration of credit risk as the Group's bank balances were mainly deposited in over ten financial institutions with good credit ratings, and the Group has a large number of counterparties for loans receivables, other receivables and deposits paid. Management does not expect any losses from non-performance by these institutions and counterparties.

ECL of financial instruments in different stages are measured respectively at each reporting date by the Group. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, loss provisions are provided at 12-month ECL; Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these financial instruments, lifetime ECL are recognised. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

Analysis of the gross carrying amount of loan receivables is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$000	HK$000	HK$000	HK$000
Gross carrying amount as at 1 January 2018	2,183	–	8,154	10,337
Net increase/(decrease) in lending to customers during the year	456		(292)	164
Gross carrying amount as at 31 December 2018	2,639	–	7,862	10,501

Movement in the allowances from impairment are as follows:

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	HK$000	HK$000	HK$000	HK$000
As 1 January 2018	56	–	7,209	7,265
Transfer from/to 12 months ECL to/from lifetime ECL	–	–	–	–
Charged to profit or loss	39	–	653	692
As at 31 December 2018	95	–	7,862	7,957

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk *(Continued)*

ECL for loans receivable under stage 1 is calculated on collective basis. The ECL for stage 2 and stage 3 is calculated on individual basis.

The Group has pre-defined loss rate of each loan's category. The loss rate are reference to actual loss experience over the past 5 years and adjusted to reflect forward-looking economic information.

(d) Liquidity risk

Liquidity risk related to the risk that the Group will not be able to meet its obligation associated with its financial liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at the reporting dates, the Group's financial liabilities have contractual maturities based on contractual undiscounted cash flows are summarised below:

	Less than 1 year or on demand HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2018				
Trade payables	1,595	–	1,595	1,595
Other payables and accrued expenses	151,363	–	151,363	151,363
Interest-bearing bank borrowing	4,000	–	4,000	4,000
Loan from a related company	3,859	–	3,859	3,620
Loans from shareholders	–	382,497*	382,497*	364,020
	160,817	382,497	543,314	524,598

* Including 1 year's accrued interest

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

	Less than 1 year or on demand HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2017				
Trade payables	1,682	–	1,682	1,682
Other payables and accrued expenses	171,923	–	171,923	171,923
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	12,595	–	12,595	12,595
Interest-bearing bank borrowing	4,000	–	4,000	4,000
Loans from shareholders	–	488,205*	488,205*	465,290
	190,200	488,205	678,405	655,490

* Including 1 year's accrued interest

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Summary of financial assets and financial liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities categorised at the reporting dates categorised as follows. See notes 3.11 for explanations about how the category of financial instruments affects their subsequent measurement.

	2018	2017
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through other comprehensive income	**202,519**	–
Available-for-sale financial assets	**–**	339,455
Financial assets at fair value through profit or loss	**18,572**	29,985
Loans and receivables		
— Loans receivable	**2,544**	3,072
— Other receivables and deposits paid	**20,959**	153,470
Cash and bank balances	**177,393**	190,577
	421,987	716,559
Financial liabilities		
Financial liabilities at amortised cost		
— Trade payables	**1,595**	1,682
— Other payables and accrued expenses	**151,363**	171,923
— Loan from a related party	**3,620**	–
— Loans from shareholders	**364,020**	465,290
— Interest-bearing bank borrowing	**4,000**	4,000
Financial liabilities at fair value through profit or loss		
— Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	**–**	12,595
	524,598	655,490

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Equity price risk

Equity price risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income at the end of the reporting period. The Group's listed investments and the underlying shares of derivative financial instruments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

SENSITIVITY ANALYSIS

At 31 December 2018, it is estimated that a general increase of 5% of the price of the financial assets at fair value through profit or loss and the underlying share price of the financial assets at fair value through other comprehensive income, with all other variables held constant, would increase the Group's profit for the year and increase the Group's retained earnings by approximately HK$929,000 and increase of other component of equity by approximately HK$6,564,000.

A decrease of 5% of the price of the financial assets at fair value through profit or loss and the underlying share price of the financial assets at fair value through other comprehensive income, with all other variables held constant, would increase the Group's loss for the year and decrease the Group's retained earnings by approximately HK$929,000 and decrease of other component of equity by approximately HK$8,101,000.

The assumed changes in market prices represent management's assessment of a reasonably possible change in market prices over the next twelve month period. The analysis is performed on the same basis for 2017.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position

(i) FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The fair values of the Group's financial assets and financial liabilities not measured at fair value approximate their carrying amounts as at 31 December 2018 and 2017 because of the immediate or short-term maturity.

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

HKFRS 13 introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and financial liabilities. The fair value hierarchy has the following levels:

— Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

— Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

— Level 3: unobservable inputs are inputs for which market data are not available.

The financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	At 31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Financial assets at fair value through profit or loss				
— Equity securities of a listed company	**18,572**	**–**	**–**	**18,572**
Financial assets at fair value through other comprehensive income				
— Redeemable convertible preference shares of a related company	**–**	**–**	**161,737**	**161,737**
— Equity securities of a listed company	**40,782**	**–**	**–**	**40,782**
Net fair values	**59,354**	**–**	**161,737**	**221,091**

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

	At 31 December 2017			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Equity securities of a listed company	29,985	–	–	29,985
Available-for-sale financial assets				
— Redeemable convertible preference shares of a related company	–	–	273,609	273,609
— Equity securities of a listed company	65,846	–	–	65,846
Liabilities				
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	–	–	(12,595)	(12,595)
Net fair values	95,831	–	261,014	356,845

There have been no transfers between different levels during the year ended 31 December 2018.

The level in the fair value hierarchy within which the financial assets and financial liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Information about level 1 fair value measurements

For the financial assets at fair value through profit or loss, the equity securities are shares of listed company and are denominated in HK$. Fair values have been determined by reference to their quoted bid prices at the reporting date.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

Information about level 3 fair value measurements

Financial assets at fair value through other comprehensive income in respect of redeemable convertible preference shares of a related company are denominated in HK$. Their fair values are determined using Binomial Option Pricing Model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is positively correlated to the expected volatility.

As at 31 December 2017, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have increased the Group's other component of equity by approximately HK$1,832,000 while a decrease in the expected volatility by 5% would have decreased the Group's other component of equity by approximately HK$2,036,000 for host equity instrument classified as available-for-sale financial assets. For the redemption option embedded in redeemable convertible preference shares of a related company classified as derivative financial liabilities, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have increased the Group's loss for the year by approximately HK$871,000 while a decrease in the expected volatility by 5% would have decreased the Group's loss for the year by approximately HK$1,120,000.

As at 31 December 2018, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have decreased the Group's other component of equity by approximately HK$670,000 while a decrease in the expected volatility by 5% would have decreased the Group's other component of equity by approximately HK$244,000 for redeemable convertible preference shares as a whole.

Significant inputs as follow:	**2018**	2017
Underlying stock price	**HK$0.192 per share**	HK$0.31 per share
Conversion price	**HK$0.4 per share**	HK$0.4 per share
Risk-free rate	**2.01%**	1.81%
Interest rate	**10.08%**	8.44%
Expected volatility	**70.39%**	66.28%

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

Information about level 3 fair value measurements (Continued)

A reconciliation of the opening and closing fair value balances are provided as below:

	2018			2017	
	Financial asset at fair value through other comprehensive income HK$'000	**Available-for-sale financial assets HK$'000**	**Financial liabilities in respect of redemption option embedded HK$'000**	Available-for-sale financial assets HK$'000	Financial liabilities in respect of redemption option embedded HK$'000
At 1 January	**–**	**273,609**	**(12,595)**	425,622	(11,529)
Change in accounting policy					
Adoption of HKFRS 9	**261,014**	**(273,609)**	**12,595**	–	–
Restated balance at 1 January 2018	**261,014**	**–**	**–**	–	–
Bonus shares issued (note 17)	**–**	**–**	**–**	(77,528)	–
Fair value loss recognised in other comprehensive income	**(89,286)**	**–**	**–**	(65,149)	(1,595)
Redeemed during the year	**(9,991)**	**–**	**–**	(9,336)	529
At 31 December	**161,737**	**–**	**–**	273,609	(12,595)
Unrealised gain recognised in profit or loss relating to the financial instrument held at the reporting date	**–**	**–**	**–**	–	(1,595)
Release of the revaluation reserve to profit or loss upon redemption of financial instrument	**–**	**–**	**–**	4,613	–

37. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Three of the subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Group's regulated subsidiaries are in compliance with related regulations.

The capital-to-overall financing ratio at reporting dates was as follows:

	2018	2017
	HK$'000	HK$'000
Capital		
Total equity	**37,259**	175,467
Overall financing		
Loan from a related company	**3,620**	–
Loans from shareholders	**364,020**	465,290
Interest-bearing bank borrowing	**4,000**	4,000
	371,640	469,290
Capital-to-overall financing ratio	**10.03%**	37.4%

38. STATEMENT OF FINANCIAL POSITION

	Note	**2018 HK$'000**	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		**–**	–
Current assets			
Amounts due from subsidiaries		**613,215**	762,637
Cash and bank balances		**117**	118
		613,332	762,755
Current liabilities			
Other payables and accrued expenses		**113,783**	118,191
Amounts due to subsidiaries		**192,899**	176,369
		306,682	294,560
Net current assets		**306,650**	468,195
Total assets less current liabilities		**306,650**	468,195
Non-current liabilities			
Loans from shareholders		**270,500**	319,700
Net assets		**36,150**	148,495
EQUITY			
Share capital		**111,785**	111,785
Reserves	30	**(75,635)**	36,710
Total equity		**36,150**	148,495

On behalf of the Board

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

39. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries, each of which is a limited liability company, at 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation/ registration	Particulars of issued/ paid-up capital	Effective percentage of equity interest held by the Company		Principal activities and place of operation
			Directly	Indirectly	
Crystal Hub Limited	British Virgin Islands	1 ordinary share of US$ 1 each	100%	–	Investment holding, Hong Kong
滄州南華房地產開發有限公司	The PRC	HK$10,000,000	–	100%	Property development, The PRC
Grandbase Universal Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Investment holding, Hong Kong
Grandland Management Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Provision of management services for the Group, Hong Kong
South China Financial Credits Limited	Hong Kong	Ordinary shares of HK$42,125,000	–	100%	Money lending, Hong Kong
South China Asset Management Limited	Hong Kong	Ordinary shares of HK$6,600,000	–	100%	Provision of investment advisory and asset management services, Hong Kong
Excellent Tide Limited	Hong Kong	Ordinary shares of HK$10,000,001	–	100%	Provision of dealing in securities service, Hong Kong
South China Futures Investment Limited	Hong Kong	Ordinary shares of HK$6,300,000	–	100%	Provision of dealing in futures contract service, Hong Kong
South China Wealth Advisory Limited	Hong Kong	Ordinary shares of HK$1,000,000	–	100%	Provision of dealing in insurance and MPF service, Hong Kong

39. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES *(Continued)*

The financial statements of the Company's subsidiaries are audited by BDO Limited for statutory purpose or Group consolidation purpose.

As at 31 December 2018 and 2017, none of the subsidiaries had issued any debt securities.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summary of Financial Information

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,121**	1,736	5,539	556	–
(Loss)/profit from operations	**(9,589)**	33,757	(266,018)	49,332	(2,690)
Finance costs	**(21,046)**	(26,372)	(26,562)	(1,270)	(285)
(Loss)/profit before income tax	**(30,635)**	7,385	(292,580)	48,062	(2,975)
Income tax expense	**22,784**	(22,204)	–	–	–
(Loss)/profit for the year	**(7,851)**	(14,819)	(292,580)	48,062	(2,975)
Assets and liabilities					
Total assets	**577,464**	870,549	953,501	3,238,177	3,709,655
Total liabilities	**(540,205)**	(695,082)	(720,183)	(753,877)	(1,496,419)
	37,259	175,467	233,318	2,484,300	2,213,236

Details of Properties

PROPERTIES UNDER DEVELOPMENT

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
Huanghua New City property development project	Commercial/ retail	Main contract work to be commenced	2021	100%	132,000 sq.m.	65,257 sq.m.
Relocation project in Zhongjie	Residential	Main body of building	2018	70%	9,737 sq.m.	9,432 sq.m.