HAO WEN HOLDINGS LIMITED
皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

ANNUAL REPORT 2018

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.

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This annual report, for which the directors (the "Directors") of Hao Wen Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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CORPORATE INFORMATION

Directors

Executive Directors

Ms. TSUI Annie
Ms. WANG Ziyi

Independent Non-Executive Directors

Mr. CHAN Kwan Yiu
Ms. MA Sijing
Ms. HO Yuen Ki

Company Secretary

Ms. WONG Man Yi

Assistant Company Secretary

Conyers Trust Company (Cayman) Limited

Registered Office

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P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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199 Des Voeux Road Central
Sheung Wan
Hong Kong

Auditors

HLB Hodgson Impey Cheng Limited
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Compliance Officer

Ms. TSUI Annie

Authorised Representatives

Ms. TSUI Annie
Ms. WONG Man Yi

Legal Advisor on Cayman Islands Laws

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
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Grand Cayman, KY1-1111
Cayman Islands

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banker in Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited

GEM Stock Code

8019

CHAIRPERSON'S STATEMENT

For and on behalf of the board of directors (the "Board") of the Company together with its subsidiaries (collectively, the "Group"), I am pleased to present to all shareholders of the Company (the "Shareholders") the annual report of the Group for the year ended 31 December 2018 (the "Year").

Turnover for the year was approximately RMB74,676,000, which represented an increase of approximately 58.7% as compared with that of 2017. The incline was mainly contributed by the growth in the business of processing and trading of electronic parts. The Group recorded a loss of approximately RMB9,755,000 for the year mainly due to the impairment loss on interest in associates and the allowance for expected credit losses.

Looking forward, the Group would devote its existing resources to expand the processing and trading of electronic parts business while keeping steady in the money lending business. The Group would also explore other potential investment opportunities in order to broaden our income sources.

On behalf of the Board, I would like to extend my appreciation to Shareholders for their continued support and to our staff for their dedication and diligence. I also wish to take this opportunity to express my sincere gratitude to the Group's customer, suppliers, bankers, lawyers and auditors for their trust and support to the Group.

TSUI Annie
Chairperson

Hong Kong, 25 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the Year, the Group continued to focus on the money lending business and processing and trading of electronic parts business. The Group engaged in money lending business by providing both secured and unsecured loans to individuals and corporate customers. We provide personal loans, mortgage loans and corporate loans. Interest income earned from the money lending business was approximately RMB33,457,000 during the Year, which represented approximately 44.8% of the total revenue. The Group commenced the processing and trading of electronic parts business since 2016. The Group engaged in sourcing, processing, and sales of computer-related and smartphone-related electronic parts and components, such as CPU, LED screen panel, hard-disk, and smartphone chipsets and lens. In 2018, the Group has devoted more resources to expand the processing center to fulfil the increased sales volume. Revenue earned from the processing and trading of electronic parts business was approximately RMB41,219,000 during the Year, which represented 55.2% of the total revenue.

Financial review

During the Year, the Group recorded an audited consolidated revenue of approximately RMB74,676,000 (2017: RMB47,060,000), which represented an increase of approximately 58.7% as compared with that of 2017. The increase was primary attributable to the increase of income from the processing and trading of electronic parts business. For the Year, income from processing and trading of electronic parts business has increased by approximately RMB26,166,000 or 173.8% to approximately RMB41,219,000 (2017: RMB15,053,000). The significant increase was due to the higher demand from customers and more resources has been allocated to expand the processing center. Due to the stable demand in the loan market in Hong Kong, the Group recorded a slightly increase of 4.5% in revenue from money lending business as compared with the corresponding year in 2017. The Group has derived interest income from our loan portfolio of approximately RMB33,457,000 for the Year (2017: RMB32,007,000).

The gross profit margin has decreased by approximately 11.3% to approximately 55.0% for the Year (2017: 66.3%). The lower gross profit margin was mainly due to the higher cost of sales as a result of expansion of processing center.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The loss on fair value of financial assets at fair value through profit or loss of approximately RMB2,488,000 (2017: RMB35,203,000) was recorded from the listed securities portfolio held by the Group for the Year.

The general and administrative expenses has decreased by approximately RMB4,104,000 or 10.0% from approximately RMB40,906,000 to approximately RMB36,802,000. The decrease was mainly attributed to less corporate exercises incurred during the Year.

The finance costs for the year has inclined by approximately RMB2,555,000 or 685.0% from approximately RMB373,000 to RMB2,928,000. The finance costs for the year represented the interest expenses on bonds payable. Details of the bonds are listed below.

The Group's audited consolidated loss for the year was approximately RMB9,755,000 (2017: RMB64,355,000), which represented a decrease of approximately RMB54,600,000 or 84.8% as compared with the corresponding year. The net loss incurred was mainly attributable to the allowance for expected credit losses of approximately RMB2,474,000 and impairment loss on interest in associates of approximately RMB10,645,000 for the Year. The net loss incurred for the year ended 31 December 2017 was mainly attributable to the loss on fair value of financial assets at fair value through profit or loss of approximately RMB35,203,000 and impairment loss on interest in associates of approximately RMB17,387,000.

LIQUIDITY AND FINANCIAL RESOURCES

	2018	2017
Current ratio	**18.1 times**	9.8 times
Gearing (Total Liabilities/Total Assets)	**14.2%**	9.1%

The Group generally finances its operations through internally-generated cash flows, other borrowings from independent third parties and shareholder's equity.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

As at 31 December 2018, the Group had current assets of approximately RMB330,425,000 (2017: RMB334,558,000) and liquid assets comprising cash and short-term securities investments totalling approximately RMB44,894,000 (2017: RMB20,401,000). The Group's current ratio, calculated based on current assets of approximately RMB330,425,000 (2017: RMB334,558,000) over the current liabilities of approximately RMB18,264,000 (2017: RMB33,989,000), was at a healthy level of approximately 18.1 times as at 31 December 2018 (2017: 9.8 times).

In January 2018, the Company has issued an unsecured bonds to a independent third party with principal amount of HK$30,000,000 and with effective interest rate of 11% per annum. The maturity date of which is 3 years. As at 31 December 2018, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 14.2% (2017: 9.1%).

As at 31 December 2018, the Group had no obligations under finance lease (2017: long-term obligations under finance leases of RMB2,123,000 and short-term obligations under finance leases of RMB1,314,000).

With the amount of liquid assets and short-term securities investments on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition nor disposal during the Year.

BONDS

On 12 January 2018, the Company has issued an unsecured bonds to a independent third party with principal amount of HK$30,000,000 and with effective interest rate of 11% per annum. The maturity date of which is 3 years.

SIGNIFICANT INVESTMENTS

The Group had no significant investments during the Year.

CAPITAL STRUCTURE

Authorised share capital

As at 31 December 2018, the authorised share capital of the Company ("Authorised Share Capital") was HK$1,000,000,000 divided into 50,000,000,000 shares of HK$0.02 each. The Authorised Share Capital had no change during the Year.

Issued share capital

As at 31 December 2018, the number of shares in issue was 2,146,520,588 shares of HK$0.02 each.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

USE OF PROCEEDS

The Company would like to provide information on the use of proceeds as follows:

	Nature	Original intended use of proceeds stated in announcement dated 2 December 2015 HK$	Actual use of proceeds as at the date of this report HK$	Remaining balance HK$	Progress
Rights issues	Development of money lending business	200,000,000	200,000,000	–	Used as intended
	Future acquisition or investments	40,760,000	31,068,000	9,692,000	Used as intended and the remaining balance unchanged with the original plan
		240,760,000	231,068,000	9,692,000	

The Group utilised the proceeds from the rights issue of approximately HK$200,000,000 to meet the demand from several customers in the money lending business. The proceeds of approximately HK$31,068,000 used for acquisition of Reach Solution and available-for-sale financial assets.

The Group intends to apply the remaining proceeds in the manner as stated in the announcements dated 2 December 2015. However, the Directors will constantly evaluate the Group's objective and may change or modify its plans in face of the changing market condition to attain sustainable business growth of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets, liabilities and transactions are denominated in Hong Kong dollars and Renminbi. The Group has not implemented any hedging policy during the Year, but the Director will continue to monitor its foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

CHARGES ON GROUP ASSETS

As at 31 December 2018, none of the assets of the Group has been pledged to secure any loan granted to the Group (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

HUMAN RESOURCES

As at 31 December 2018, the Group had about 49 employees (2017: 20 employees) working in Hong Kong and the PRC. The staff costs, including directors' emoluments, were approximately RMB5,483,000 for the Year (2017: RMB5,346,000).

The emolument policy of the Directors are decided by the Board, taking into account recommendation from the remuneration committee of the Board, having regard to merit, qualification and competence of each Director. The Group remunerates its employees based on their performance, experience and the prevailing industrial practice. Benefits plans maintain by the Group including contribution to statutory mandatory provident fund scheme, medical insurance, the Share Option Scheme and discretionary bonus.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no contingent liabilities (2017: Nil).

CAPITAL COMMITMENT

As at 31 December 2018, the Group did not have any material capital commitment (2017: Nil).

BUSINESS OUTLOOK AND PROSPECT

Looking forward, the Group considers that it is vital and necessary for the Group to dedicate more efforts on the processing and trading of electronics parts business with the view to achieving product upgrade and takes various cost-savings and quality improvement measures for the business.

Hong Kong Monetary Authority continued to impose stringent policy and prudential measures on loans provided by authorised financial institutions in Hong Kong. In respond to the challenging business environment, we have already implemented vigorous measures when conducting our money lending business. We strongly believe these measures are particularly important and essential which help us to produce a steady and healthy position in the foreseeable future.

The Group would also explore other potential investment opportunities in order to broaden our income sources.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. TSUI Annie ("Ms. Tsui"), aged 34, joined the Company in 2015 as an executive Director, and appointed as Chairperson of the Board and a member of the remuneration committee of the Board in 2016. She also serves as a director of certain subsidiaries of the Company. Ms. Tsui has over 8 years of experience in retail businesses. Ms. Tsui operated a chain fashion business of 7 shops in Hong Kong. She operates a jewellery retail store in Hong Kong. She has extensive management experience in corporate leadership, corporate development, strategic planning and business strategies as well as in critical business decisions. Ms. Tsui has passed Paper 12 of Licensing Examination for Securities and Futures Intermediaries organised by Hong Kong Securities and Investment Institute.

Ms. WANG Ziyi ("Ms. Wang"), aged 32, joined the Company in 2016 as an executive Director. Ms. Wang was graduated from Air Force Engineering University（空軍工程大學）with a Bachelor Degree in Laws in June 2009. Ms. Wang has more than 2 years of experience in legal field and has held several legal positions in a legal firm and an industrial company in Shaanxi. Ms. Wang has worked in the Department of Technical Transfer（技術轉化部）of Space Institute of Southern China (Shenzhen)（深圳市太空科技南方研究院）.

Independent Non-Executive Directors

Mr. CHAN Kwan Yiu ("Mr. Chan"), aged 36, joined the Company in 2017 as an independent non-executive Director, the Chairman of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. Chan was graduated from the Hong Kong Baptist University with the Master of Science degree in Corporate Governance and Directorship in 2013. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and an Associate of The Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant (Practising) in Hong Kong. Mr. Chan has over 10 years of experience in auditing and accounting in professional firms. Mr. Chan was appointed as an independent non-executive director of Hong Kong Education (Int'l) Investments Limited ("HK Education"), a company listed on the Main Board of the Stock Exchange in October 2017 and the appointment was declared invalid on 3 November 2017 since the board meeting to approve the appointment was invalid for failure to give proper notice to all members of the board of HK Education.

Ms. MA Sijing ("Ms. Ma"), aged 47, joined the Company in 2014 as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Board. Ms. Ma graduated from 中央廣播電視大學 (China Central Radio and TV University*) specializing in social work and obtained the certificate of accounting profession issued by 深圳龍崗財政局(Shenzhen Longgang Municipal Finance Bureau*) in the PRC in May 2005. Ms. Ma is currently the financial controller of a non-governmental organization primarily responsible for the financial and accounting matters in the PRC. Ms. Ma has over 13 years' experience in financial and accounting in different sectors, such as biotech industries and social services in the PRC.

Ms. HO Yuen Ki ("Ms. Ho"), aged 37, joined the Company in 2016 as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Board. Ms. Ho was graduated from University of Salford with the degree of Bachelor of Science (Hons.) in Finance and Accounting in 2004. Ms. Ho is a member of the Association of Chartered Certified Accountants. Ms. Ho has over 10 years of experience in auditing and accounting in different sectors, such as apparels industry and accountant firms.

Senior Management

Ms. WONG Man Yi ("Ms. Wong"), aged 43, was appointed as the company secretary of the Company in 2015. Ms. Wong has over 10 years of experience in company secretarial services and served as the company secretary in various companies in Hong Kong since 1995. Since 2014, she has been the Senior Manager of G.O. Secretarial Services Limited. Ms. Wong was a joint company secretary of China Nonferrous Mining Corporation Limited, a company listed on the main board of the Stock Exchange for the period from June 2012 to December 2013. Ms. Wong graduated from City University of Hong Kong with a Bachelor degree of Business Administration (Honours) in Business Management in 2006 and a Master of Science degree in Professional Accounting and Corporate Governance in 2009. Ms. Wong is an associate member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries and Administrators and The Taxation Institute of Hong Kong. She is a Certified Tax Adviser of Hong Kong.

* Translation of Chinese forms for reference only.

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Company is committed to achieve and maintain the highest standard of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions.

The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all Shareholders.

Throughout the financial year ended 31 December 2018, except for deviations from code provisions A.4.1 and A.6.7 which are explained in paragraphs A.4 and F.1 below, the Group has complied with all code provisions.

A Directors

A.1 The Board

The Board assumes the responsibility for leadership and control of the Company. Our Directors are collectively responsible for promoting the success of the Company by developing the strategic direction of the Group and directing and supervising the affairs of the Company.

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in its annual, interim and quarterly reports, other inside information announcements, other financial disclosures as required under the GEM Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements. The Board is also required to approve acquisitions or disposals and connected transactions within the meaning of Chapter 20 of the GEM Listing Rules that require notification or approval under the GEM Listing Rules.

The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the Shareholders. Other responsibilities and matters reserved to the Board are set out in paragraph E.1 below.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Board meets regularly, normally four times each year with a meeting scheduled at approximately three month intervals and additional meetings would be arranged if and when necessary. The dates of regular Board meetings for each year are normally made available to all Directors at the beginning of the year to provide sufficient notice to give all Directors an opportunity to attend. Regular meetings are for reviewing and approving the financial and operating performances of the Group as well as considering and approving the overall strategies and policies of the Group. Special Board meetings will be held when necessary. Matters on transactions where Directors are considered having a conflict of interest or material interests would not be dealt with by way of written resolutions and a separate Board meeting shall be held where independent non-executive Directors who have no interests should be present at the meeting. Directors having a conflict of interest or material interests in a transaction before the meeting of the Board will declare his/her interest therein in accordance with the articles of association of the Company ("Articles of Association"), shall abstain from voting on the resolution and shall not be counted in the quorum present at such Board meeting. Such declaration of interests will be duly noted in the minutes of the relevant Board meeting.

Notices are given to all the Directors for attending regular Board meetings approximately fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. Board papers, together with all appropriate information are sent to all Directors at least three (3) days before each Board meetings to the extent practicable.

Board meetings involve the active participation, either in person or through other electronic means of communication, by all of the Directors. The company secretary of the Company ("Company Secretary") assists in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. Directors are also consulted to suggest matters to be included in the agenda for all regular meetings of the Board.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all Directors for their review and comments before being approved by the Board. All the minutes of the meetings are properly kept by the Company Secretary and are available for inspection by the Directors during normal office hours.

Participation of individual Directors at Board meetings in 2018 is as follows:

	Number of meetings 4
Executive Directors:	
Ms. TSUI Annie	4/4
Ms. WANG Ziyi	4/4
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	4/4
Ms. MA Sijing	3/4
Ms. HO Yuen Ki	4/4

CORPORATE GOVERNANCE REPORT *(Continued)*

A.2 Chairperson and Chief Executive Officer

The Chairperson provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. At 31 December 2018, the position of the Chief Executive Officer was vacant. The Board has been searching and will continue to search for a suitable candidate to fill the casual vacancy.

A.3 Board composition

As at the date of this report, the Board comprises five Directors: two executive Directors and three independent non-executive Directors. The current composition of the Board is as follows:

	Membership of Board Committees:
Executive Directors:	
Ms. TSUI Annie	Member of the Remuneration Committee
Ms. WANG Ziyi	–
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	Chairman of the Audit Committee Chairman of the Remuneration Committee Chairman of the Nomination Committee
Ms. MA Sijing	Member of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee
Ms. HO Yuen Ki	Member of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee

The GEM Listing Rules require every listed issuer to have at least three independent non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. CHAN Kwan Yiu is a member of the Hong Kong Institute of Certified Public Accountants and an Associate of The Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant (Practising) in Hong Kong. Mr. Chan has over 10 years of experience in auditing and accounting in professional firms.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed the independence of all the independent non-executive Directors and is satisfied of their independence. None of the independent non-executive Directors of the Company has served the Company for 9 years or more.

The Board members do not have any family, financial or business relations with each other. The biographies of our Directors are set out on page 10 of this annual report.

CORPORATE GOVERNANCE REPORT *(Continued)*

The list of Directors is disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time.

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

A.4 Appointment, re-election and removal of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

Code provision A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the independent non-executive directors of the Company was appointed without a specific term of appointment. As the appointment of independent non-executive Directors are subject to the retirement by rotation provisions in the Articles of Association, the Board considers that it is not necessary to appoint the non-executive Directors for a specific term. At every annual general meeting of the Company ("AGM"), one-third of the Directors for the time being, or if their number is not three or in a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation according to article 84(1) of the Articles of Association. All Directors, including those appointed for a fixed term, are subject to the retirement by rotation provision in the Articles of Association.

Pursuant to article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office until the next following AGM and shall then be eligible for re-election.

A.5 Nomination Committee

The Board has established a nomination committee (the "Nomination Committee") on 18 November 2009 with written terms of reference revised in January 2019. Currently, the Nomination Committee comprised of Mr. CHAN Kwan Yiu, Ms. MA Sijing and Ms. HO Yuen Ki, all are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Nomination Committee is responsible for reviewing Board composition structure, size and diversity (including but not limited to gender, age, culture and educational background), identifying suitable candidates for directorship, assessing the independence of independent non-executive Directors, making recommendations to the Board regarding any proposed appointment or re-appointment. The Nomination Committee follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is the collective decision of the Board, taking into consideration the recommendation of the Nomination Committee and the relevant candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. In addition, all candidates to be selected and appointed as a Director must be able to meet the standards set out in Rules 5.01 and 5.02 of the GEM Listing Rules. A candidate who is to be appointed as an independent non-executive Director must also meet the independence criteria set out in Rule 5.09 of the GEM Listing Rules. Further appointment of independent non-executive Director who has serves more than 9 years should be subject to a separate resolution to be approved by the Shareholders and the Board would consider and set out the reasons why such independent non-executive Director continues to be independent and should be elected.

Pursuant to article 84(1) of the Articles of Association, at each AGM, one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Any Director who retires under article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are retire by rotation at such meeting pursuant to article 84(2) of the Articles of Association. In this regard, Ms. WANG Ziyi, an executive Director and Ms. MA Sijing, an independent non-executive Director, shall retire from office by rotation upon the conclusion of the forthcoming AGM and be eligible to offer themselves for re-election.

The Nomination Committee has held 1 meeting during 2018.

Attendance of individual members at the Nomination Committee meetings in 2018 is as follows:

	Number of meetings
	1
Mr. CHAN Kwan Yiu	1/1
Ms. MA Sijing	0/1
Ms. HO Yuen Ki	1/1

CORPORATE GOVERNANCE REPORT *(Continued)*

The summary of work performed by the Nomination Committee during 2018 is as follows:

– To review the existing Board's structure, size, composition, and diversity;

– To review the board diversity policy;

– To review the nomination policy;

– To review and assess the independence of the independent non-executive Directors; and

– To make recommendations on the retiring Directors at the 2018 AGM of the Company.

Board Nomination Policy

The Company adopted a nomination policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

CORPORATE GOVERNANCE REPORT *(Continued)*

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and the Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the Nomination Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board.

The Company noted that that people from different background and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse background will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, the Nomination Committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT *(Continued)*

Composition of the Diversified Board

As at the date of this annual report, the Board comprises five Directors, one of which is a male, four are female. The following table further illustrate the composition and diversity of the Board in terms of gender, age, length of service with the Group, educational background and professional experience as of the date of this annual report:

	Age Group		Length of Service	
Name of Director	30 to 39	40 to 49	less than 4 years	more than 4 years
Ms. TSUI Annie	✓		✓	
Ms. WANG Ziyi	✓		✓	
Mr. CHAN Kwan Yiu	✓		✓	
Ms. MA Sijing		✓		✓
Ms. HO Yuen Ki	✓		✓	

	Educational Background			Professional Experience		
Name of Director	Law	Accountancy	Others	Law	Accounting and Finance	Management
Ms. TSUI Annie			✓			✓
Ms. WANG Ziyi	✓			✓		✓
Mr. CHAN Kwan Yiu		✓			✓	✓
Ms. MA Sijing		✓			✓	✓
Ms. HO Yuen Ki		✓			✓	

A.6 Responsibilities of Directors

Each newly appointed Director is provided with a package of orientation materials setting out the required duties and responsibilities of Directors under the GEM Listing Rules and other relevant statutory requirements of Hong Kong. An orientation as to a Director's duties and obligations under the GEM Listing Rules and relevant legislations will be arranged for all newly appointed Directors.

Newly appointed Directors will also receive an introduction on the Company's operation and business. Our Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our Directors will also be updated from time to time on the business development and operation plans of the Company. All our Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, GEM Listing Rules and corporate governance practices.

CORPORATE GOVERNANCE REPORT *(Continued)*

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listing company in compliance with the Revised CG Code on continuous professional development during 2018.

	Corporate governance, rules and regulations (including directors' duties)	Financial, management and other business skills and knowledge
Executive Directors		
Ms. TSUI Annie	✓	✓
Ms. WANG Ziyi	✓	✓
Independent Non-executive Directors		
Mr. CHAN Kwan Yiu	✓	✓
Ms. MA Sijing	✓	✓
Ms. HO Yuen Ki	✓	✓

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company.

The Company has adopted the standard set out in Rules 5.48 to 5.67 (the "Model Code") of the GEM Listing Rules, in relation to the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director has confirmed that he/she has complied with the standards set out in the Model Code during the Year.

The Company has also established written guidelines on terms no less exacting than the Model Code for securities transactions by employees of the Company, its subsidiaries and its holding company (including directors of the Company's holding company and its subsidiaries), who because of such office or employment, are likely to be in possession of unpublished inside information of the Company or its securities.

CORPORATE GOVERNANCE REPORT *(Continued)*

A.7 Supply of and access to information

With respect to regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all Directors in a timely manner as permitted under the circumstances. Notices are given to all the Directors for attending regular Board meetings fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. It has been the practice of the Board and accepted by all members of the Board that relevant information of Board meetings will be sent to all Directors three (3) days in advance of the relevant meetings or any reasonable time before such meetings where it is not practicable to send out the information three (3) days in advance.

Members of the management have been reminded that they have an obligation to supply the Board and the Board committees with adequate information on a timely basis to enable each of them to make informed decisions. The Board and each Director have separate and independent access to the Group's senior management for information on the latest developments and financial position of the Company and other information and materials necessary to enable the Directors to make informed decisions of the matters to be considered at the Board meetings. The compliance officer of the Company ("Compliance Officer") and the Company Secretary meet the management of the Company and attend Board Meetings when necessary to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company. Ms. TSUI Annie, the Chairperson and an executive Director, was appointed as Compliance Officer on 12 May 2016. Ms. WONG Man Yi was appointed as Company Secretary with effect from 16 March 2015.

All Directors are entitled to have access to Board papers, minutes and related materials.

B Remuneration of Directors and Senior Management

B.1 The level of remuneration and disclosure

The Remuneration Committee was established on 8 August 2006 in accordance with the CG Code.

The existing members of the Remuneration Committee are Mr. CHAN Kwan Yiu, Ms. MA Sijing and Ms. HO Yuen Ki, all are independent non-executive Directors, and Ms. TSUI Annie, an executive Director. The Terms of Reference of the Remuneration Committee are adopted with reference to the CG Code, including the specific duties set out in code provision B.1.2(a) to (h) of the CG Code.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of all Directors and senior management. The Remuneration Committee is authorised to seek any information it requires from any employee of the Group and has the power to request the executive Directors and other persons to attend its meetings.

The Remuneration Committee is also authorised to obtain outside professional advice and to secure the attendance of other persons with relevant experience and expertise if it considers as necessary.

The work performed by the Remuneration Committee during 2018 included reviewing and approving the remuneration package of the Directors (including the three independent non-executive Directors) and the senior management of the Company.

During the process of consideration, no individual Director will be involved in decisions relating to his/her own remuneration.

Full minutes of the Remuneration Committee meeting are kept by the Company Secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval.

The Remuneration Committee will make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, on request. The Terms of Reference are also available on both of the website of the Company and the website of Hong Kong Exchanges and Clearing Limited ("HKEx").

During 2018, the Remuneration Committee has met 1 time.

Participation of individual Directors at Remuneration Committee meetings in 2018 is as follows:

	Number of meetings
	1
Executive Director:	
Ms. TSUI Annie	1/1
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	1/1
Ms. MA Sijing	0/1
Ms. HO Yuen Ki	1/1

CORPORATE GOVERNANCE REPORT *(Continued)*

C Accountability and Audit

C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements for each financial period, that give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the Year, the Directors have:

– approved the adoption of all applicable International Financial Reporting Standards which are issued by the International Accounting Standards Board;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis.

The Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the GEM Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements.

The financial statements for the Year were audited by HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for re-appointment as the auditors of the Company at the forthcoming AGM.

For the year ended 31 December 2018, the audit fees paid or payable by the Company in relation to statutory audit amounted to approximately RMB950,000.

The statement of the Auditors about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 50 to 56 of this annual report.

C.2 Risk management and internal control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The internal control system includes safeguarding of the interest of shareholders and the Group's assets. It has been an important duty of the Board to conduct a review of internal control system to ensure the effectiveness and adequacy of the system of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Group has engaged an independent internal control review advisor (the "Internal Control Advisor") to conduct the annual review on the effectiveness of the internal control system. Review of the Group's internal controls covered major operational, financial and compliance controls, as well as risk management functions of different systems has been performed on a systematic rotational basis on the risk assessments of the operations and controls. During the risk assessment process, the Internal Control Advisor interviewed the relevant personnel and identified the business objectives and significant risks of the Group. A risk management report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on ongoing basis.

For the year ended 31 December 2018, the Board have reviewed the effectiveness of the internal control system and they consider them effective and adequate.

C.3 Audit Committee

The Audit Committee was established on 5 July 2001 and a terms of reference was adopted. The Terms of Reference of the Audit Committee was revised in December 2015 and January 2019, and have included the duties set out in code provision C.3.3(a) to (n) of the CG Code. The Audit Committee comprised of three members and all of whom are independent non-executive Directors. Mr. CHAN Kwan Yiu who process appropriate professional qualifications, accounting and related financial management expertise, is also appointed as the chairman of the Audit Committee. The Audit Committee does not have any member who is a former partner of the Group's existing audit firm.

During 2018, the Audit Committee met on 5 occasions and discharged its responsibilities.

Attendance of individual members at Audit Committee meetings in 2018 is as follows:

	Number of meetings
	5
Mr. CHAN Kwan Yiu	5/5
Ms. MA Sijing	4/5
Ms. HO Yuen Ki	5/5

The principal duties of the Audit Committee included reviewing the Company's financial controls, internal control and risk management systems, annual report, accounts and quarterly and interim reports.

CORPORATE GOVERNANCE REPORT *(Continued)*

The summary of work performed by the Audit Committee during 2018 is as follows:

- reviewing the auditor's management letter and management's response;
- reviewing and considering the recently issued accounting standards, the adoption of new accounting standards and the change in significant accounting policies;
- reviewing the audited financial statements and final results announcement for the year ended 31 December 2017;
- reviewing the interim report and the interim results announcement for the six months ended 30 June 2018;
- reviewing the quarterly reports and the quarterly results announcement for the three months ended 31 March 2018 and nine months ended 30 September 2018, respectively; and
- meeting with the auditors to go through any significant audit issues or key findings noted during the audit of the Group's 2017 final results and before the commencement of the audit of the Group's 2018 final results.

All issues raised by the Audit Committee have been addressed by the management. The work and findings of the Audit Committee have been reported to the Board. During 2018, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval.

The Audit Committee will make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, on request. The Terms of Reference are also available on the website of the Company and the website of HKEx.

This annual report has been reviewed by the Audit Committee.

D Company Secretary

Ms. WONG Man Yi ("Ms. Wong") was appointed as the Company Secretary on 16 March 2015. Her current primary corporate contact person at the Company is Ms. TSUI Annie, an executive Director. Ms. Wong has taken no less than 15 hours of relevant professional training during the Year.

CORPORATE GOVERNANCE REPORT *(Continued)*

E Delegation by the Board

E.1 Management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management pursuant to the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

E.2 Board committees

Apart from the Audit Committee (as described under paragraph C.3), the Remuneration Committee (as described under paragraph B.1) and the Nomination Committee (as described under paragraph A.5), the Board has not established any other committee of the Board.

F Communication with Shareholders

F.1 Effective communication

The Company attaches great importance to communications with Shareholders. Information on the Group's activities, business, strategies and developments is provided in the Company's annual reports and interim reports. Shareholders are encouraged to attend all general meetings of the Company which offer a valuable forum for dialogue and interaction with management.

In line with the practice of the Company, in respect of each issue to be considered at the AGMs and extraordinary general meetings of the Company ("EGMs"), including the re-election of Directors, a separate resolution will be proposed by the chairman of the meeting.

In accordance with the code provision E.1.2 as set out in the CG Code, chairman of the Board have attended the AGM held in 2018.

Certain independent non-executive Directors, for the time when the AGM was held in year 2018, had other business engagements and thus, were not able to attend the AGM held in year 2018. In this regard, the compliance officer and Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future, for compliance of code provisions A.6.7 as set out in the CG Code.

CORPORATE GOVERNANCE REPORT *(Continued)*

Participation of individual Directors at the AGM 2018 is as follows:

	Number of meetings 1
Executive Directors:	
Ms. TSUI Annie	1/1
Ms. WANG Ziyi	1/1
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	1/1
Ms. MA Sijing	1/1
Ms. HO Yuen Ki	0/1

Notice of general meeting was sent to Shareholders at least 20 clear business days before the AGM. The Company's auditors have also attended the AGM in 2018.

Designated executive Director(s) and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any queries.

Dividend Policy

The Company adopted a policy on payment of dividends (the "Dividend Policy") in March 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend on a number of factors, including but not limited to:

(i) the Group's actual and expected financial performance;

(ii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(iii) retained earnings and distributable reserves of the Company and each of the members of the Group;

(iv) the Group's liquidity position;

(v) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(vi) any other factors that the Board deems relevant.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring interim dividends from time to time.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

F.2 Voting by poll

At the AGM held in 2018, the chairman of the AGM had provided an explanation of the procedures for conducting a poll at the commencement of the meeting. Poll results were posted on the website of HKEx (as well as on the website of the Company) on the day of the holding of the Shareholders' meeting.

Separate resolutions are proposed at Shareholders' meeting on each substantial issue, including the election of individual Directors.

G Shareholders' Rights

G.1 Convening an extraordinary general meeting and Procedures for putting forward proposals at shareholders' meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision). However, Shareholders are requested to follow article 58 of the Articles of Association, general meetings shall be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) 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) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT *(Continued)*

G.2 Procedures for nominating a new Director

Pursuant to article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

H Investor Relations

The Company has disclosed all necessary information to the Shareholders and established a range of communication channels between itself, its shareholders and investors which in compliance with the GEM Listing Rules.

In addition, the Group engaged professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

The Company's website (http://www.tricor.com.hk/webservice/008019) offers timely access to the Company's financial information, announcements, circulars to Shareholders and information on the Company's corporate governance structure and practices. For efficient communication with Shareholders and in the interest of environmental protection, Shareholders are encouraged to elect to receive the Company's corporate communications by electronic means through the Company's website.

AGMs provide a forum for communication between Shareholders and the Board. The Chairman of the Board, other members of the Board and external auditors attend the AGM and answer questions from Shareholders.

The Board always welcome Shareholders' and other stakeholder's questions and concerns relating to the Group's management and governance. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post. The address is Level 20, Infinitus Plaza, 199 Dex Voeux Road Central, Sheung Wan, Hong Kong.

I Constitutional Documents

There was no change to the Memorandum and Articles of Association during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE, MATERIALITY AND PERIOD

This report was prepared for an overview of the performance of Hao Wen Holdings Limited and its subsidiaries (together the "Group") on environmental, social and governance ("ESG Report"). This ESG Report has been published in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the "comply or explain" provisions contained therein.

Unless otherwise stated, the ESG Report covers the overall performances, risks, strategies, measures and commitments of the Group in four areas, namely, working environment quality, environmental protection, operating practices and community investment for the year ended 31 December 2018 ("Reporting Period")

During the Reporting Period, the Group's business operations mainly include two major areas: (i) money lending and (ii) processing and trading of electronic parts in the PRC. These businesses were mainly operated in Hong Kong and Mainland China. As such, after conducting the materiality testing, the Group has decided to include the subsidiaries at all levels for the aforesaid two major businesses of the Group in Mainland China and offices in Hong Kong in the Report. All the information come from the official documents or statistical reports of the Company. For information about the Group's corporate governance structure, please refer to page 11 to page 28 of this Annual Report.

STAKEHOLDERS' FEEDBACK

The Group communicates with its stakeholders through financial reports, legal disclosure, shareholder meeting and other channels, in order to reveal its operating condition to the stakeholders. The ESG Report is also intended to allow stakeholders to understand our non-financial performance.

We welcome stakeholders' feedback on the ESG Report. Please share your views with us via:

Address:	Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong
Telephone:	(852) 2155 9506
Fax:	(852) 2155 9510

MISSION AND VISION

Faced against challenges from uncertainties of global economy and operating environment, the Group continues to run its business with a prudent and cautious approach; whilst seeking new investment and business expansion opportunities, with a view to minimising operation risks, broadening income base and maximising shareholders' returns and value in long term.

As a responsible corporate, the Group is dedicated to provide the best-quality products and services to clients. We strive to balance stakeholders' interest in business development. We value communication with investors and shareholders, clients, employees, business partners and suppliers, and other stakeholders in the community, as we accommodate their needs and forge a sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

ENVIRONMENTAL PROTECTION

We are mindful of the impact of our business operations on the environment. Therefore, we are committed to enhancing our environmental control through the inclusion of environmental considerations raising the environmental awareness amongst our employees of conservation and environmental protection, and reduction of resource consumption. The Group has formulated series of environmental rules and requires its employees to strictly complies with them. The Group's internal environmental policies and measures align with industry standards.

During the Reporting Period, there was no incident of non-compliance with local relevant environmental laws and regulations relating to air and greenhouse gas, emissions, discharge into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group. The Group also confirmed that during the reporting period, our business operation had not encountered any punishment by respective governmental authorities due to violation of the above laws and regulations.

Emissions

The Group's operation of processing of electronic parts involves production procedures of light industries. During daily operation, the Group complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other environmental and greenhouse gas emission laws, and follows its internal operation guidelines to ensure all emissions produced from our operation, such as exhaust gas and greenhouse gas, and wastewater, are within the maximum limit stipulated by the relevant laws. The Group's money lending business does not involve any direct emission of exhaust gas and greenhouse gas. However, we still strive to better utilize resources and minimise the adverse impact and indirect carbon emission of our businesses on the environment through enhancing operational efficiency and implementing eco-friendly measures.

Industrial waste produced from the operation of processing of electronic parts is handled and disposed of by professional organisations recognised and certified by relevant government authorities. As regards general office waste, including electronic devices, the Group has formulated relevant guidelines to categorise, collect and dispose of different wastes. All wastes are handled by professional waste collecting firms with recognised qualifications, or are placed properly as required by the property management office of the commercial building where the Group's office is situated and are collected by firm hired by the property management office. For broken electronic devices or those not functioning, the Group will arrange to repair. For electronic devices that are not up to the required specification level, the Group will also donate to or sell to other organisations, so as to prolong its lifespan and reduce electronic waste and damage made to the natural environment by electronic solid waste.

Emission Data:

Emissions	Unit	Quantity
Greenhouse gas		
– Scope 1 – direct emission		N/A
– fuel consumption		
– Scope 2 – indirect emission	kg	
(i) electricity consumption	(CO_2 equivalents)	11,744
– Scope 3 – other indirect emission		
(i) paper consumption		336
(ii) water consumption		216
Wastewater	tonnes	216

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Summary of KPI disclosure of Aspect A1 under the ESG Reporting Guide:

KPI A1.1	The types of emissions and respective emissions data (if applicable) are set forth above.
KPI A1.2	Emissions of indirect greenhouse gases are set forth above. Greenhouse gases produced during daily operation do not exceed maximum levels stipulated by the law.
KPI A1.3	No applicable hazardous waste data.
KPI A1.4	No applicable non-hazardous waste data.
KPI A1.5	Measures to mitigate emissions can be referred to in the above paragraphs.
KPI A1.6	Description of how non-hazardous wastes are handled and reduction initiatives can be referred to in the above paragraphs.

Use of Resources

We implemented green office management to enhance efficiency of use of resources. During the Reporting Period, the green office management include these measures:

i. Energy and water saving

- Use natural light or LED lighting;
- Limit air-conditioning hours pursuant to regulations of the office building;
- Maintain suitable indoor temperature and clean regularly the air conditioner and ventilation system to reduce electricity consumption;
- Encourage use of telephone or video conferencing system among directors and employees to minimise business trips;
- Put up signs at pantry and washroom to encourage water saving.

ii. Waste reduction

- Implement paperless documentation by application of electronic documents and encourage double-sided printing and recycling paper. Reduce printing of paper materials and paper consumption ;
- Keep record of the quantity of stationery and equipment and adopt registration scheme to encourage employees to treasure and conserve resources.

During the Reporting Period, we managed to reduce the consumption of electricity and paper through strengthened implementation of the above measures. The Group will review its implementation from time to time and take improvement measures when necessary, so as to achieve better use of resources, and energy conservation and waste reduction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Resource Consumption Data

Resources Consumed	Unit	Quantity
Water	tonnes	216
Electricity	kWh	14,866
Paper	tonnes	0.07

Summary of KPI disclosure of Aspect A2 under the ESG Reporting Guide:

KPI A2.1	Details of electricity consumption are set forth above.
KPI A2.2	Total water consumption volume is set forth above.
KPI A2.3	Description of energy use efficiency initiatives can be referred to in the above paragraphs.
KPI A2.4	There is no issue in sourcing water that is fit for purpose whereas the Group considers its water consumption level is reasonable. Description of plan of water efficiency enhancement is set forth above.
KPI A2.5	The Group does not involve the use of any packaging material.

Environment and Natural Resources

The Group, as a corporate citizen, is committed to taking measures to minimise our negative environmental impact from daily operation.

We also carry out green procurement with purchase of recycled paper, refillable ball pens, recyclable laser printer toner cartridges, office equipment with Energy Efficiency label and furniture made of recycled materials, etc. The Group is dedicated to raising environmental awareness among employees and achieving sustainable development of the environment, through provision of relevant information.

We regularly assess our environmental risks incurred from our operations, review our environmental practices and adopt necessary preventive measures to reduce risks and comply with relevant laws and regulations.

Summary of KPI disclosure of Aspect A3 under the ESG Reporting Guide:

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them can be referred to in the above paragraphs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

Employment

Employment Data:

	Unit	Quantity
Total employees	No. of people	49
By gender		
– male	percentage	51.7
– female		48.3
By employment type		
– permanent	percentage	100
– full-time contracted		0
– temporary/part-time		0
By rank		
– executives	percentage	34.5
– others		65.5
By age		
– below 30	percentage	31.7
– 30-39		56.1
– 40-49		12.2
– above 50		0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Recruitment and remuneration policies

The Group takes reference to the Employment Ordinance and other relevant laws in Hong Kong, together with the general practice and benchmark of the industry when preparing and enforcing a human resources management scheme. All employees are bound by the work guidelines and employment contracts made in accordance with this human resources management scheme. Relevant documents detailed the Group's employment policies, employees' welfare, rights and responsibilities, code of business ethics, workplace safety and health guidelines, in order to protect the respective rights of both parties.

The Group established a comprehensive mechanism of remuneration, incentive and performance management, including basic salary, mandatory provident fund, insurance, legal and extra annual leave, sick leave, subsidies and other staff benefits and rights. To attract and retain talent for long-term and stable growth of the Group, we offer competitive remuneration package to employees and has built a performance incentive mechanism through granting share options to senior management, core and long-term employees.

Equal opportunities

As the employees of the Group are one of the key stakeholders, diversity and equal opportunity form part of our people strategy. Our employment practices support the building of an inclusive work environment free from discrimination such as gender, age, nationality, sexual orientation, family status, race or religion. Each employee has an equal job opportunity.

Dismissal policies

In situations where an employee consistently perform his or her duties below an acceptable level, or violates the Group's regulations, or the Group resolves to streamline its workforce and results in terminating the employment contract with certain employees, our human resources department will follow a range of procedures to terminate his or her employment contract. Terms and conditions relating to dismissal are enumerated in employment contract and other employment policy manual, to ensure that the action and procedure of terminating employment relationship are made in compliance with the relevant employment regulations promulgated by the government.

Employee communication

We care about the interaction with our employees and their needs. We encourage our employees to communicate with their supervisors or department heads on their work conditions and career goals.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Health and Safety

Workplace safety

The Group attaches high importance to employees' health and wellbeing and is committed to building a healthy, safe and hygienic workplace for all employees and parties who may be affected by our operations and exercise.

Maintaining a good health and safety level is our top priority in operating our business. The Group prepares a series of work safety and health guidelines with the industry nature, practices and regulations taken into consideration. We strictly monitor and enforce safety measures under the employee manual. The Group believes that its working environment and nature does not constitute any material safety risks to employees in general.

Safety awareness

To raise employees' awareness of occupational safety, the Group continued to provide relevant trainings and information to employees during the Reporting Period. We regularly join the fire drills organised by the office building and participate in safety seminars of external organisations. We ensure adequate first-aid and fire equipment in the office. Annual body check, medical insurance and other benefits are covered in our permanent employees' benefit package for their health and safety.

Physical and mental health

Besides work safety, the Group recognises the importance of mental health of employees. We organise all sorts of activities to strengthen the bond and understanding among employees, strike a work-life balance and create a sense of belonging.

During the Reporting Period, there was no significant incident of safety and work-related injury. There was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Development and training

Training statistics

	Unit	Quantity
Total training hours		
By gender		
– male	No. of hours	288
– female		72
Total training hours		
By rank		
– executives	No. of hours	144
– others		216

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Talent policy

The Group recognises the significance of talent attraction and retention, and believes that employee training is vital to the Group's development. We introduce executive and professional talent to accommodate our development strategies and needs whilst improving human resources structure. The Group stresses the need of nurturing talent through training programs which boost their quality, qualifications and skills, and help them grow. We offer opportunities of "promotion from within" and develop employees with excellent job performance and high potential by assigning them to important positions.

Employee training

During the Reporting Period, the Group provides various types of training to employees, including seminars and trainings for professional knowledge of money lending business, as well as career development trainings on business administration, project management, communication and public speech skills. We also arrange external talks for directors to update them with latest changes of GEM Listing Rules and relevant laws, corporate governance information.

The Group constantly reviews and improves the format of trainings based on industry conditions, employees' feedback and other factors, with an aim to employee participation and efficiency of training.

Labour Standards

Anti-child and forced labour

The Group's internal guidelines and labour system are made in strict adherence to the Employment Ordinance (Chapter 57 of Hong Kong Legislation) and international standard. All recruitment process and promotion activities are monitored under the Group's human resources management scheme. Codes of conducts are clearly explained in employment contracts and employment codes. Behaviour of all employees (including directors and other employees) is closely observed to prevent any law violations.

We prohibit the engagement of any child and forced labour in any of our operations, and forbid any type of forced labour by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. We promise not to hire any children whose ages are below the legal requirement by the local labour law. We maintain a close communication with our business partners to avoid cooperating with suppliers and business partners who engage child or forced labour. In case of any violation, the Group will promptly conduct investigation and take improvement measures.

During the Reporting Period, the Group did not have any issue of non-compliance of relevant laws and regulations relating to child labour or forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

OPERATING PRACTICES

Supply Chain Management

Procurement policy

The Group holds high regards for suppliers with virtue of integrity. We only conduct business with suppliers who have good business record with no violation of law or business ethics. Costs, product quality and track record are major criteria of choosing among those suppliers and we prohibit suppliers from securing contracts through transfer of benefits.

The Group offers fair and reasonable terms to suppliers for procurement without exploitation in any form. The Group will assess products provided by suppliers according to product liability. Information about the assessment results will be reported in due course to ensure the products meet our requirement or we shall replace the suppliers.

Risk management of supply chain

The Group closely communicates with its subsidiaries and carries out necessary monitoring and risk control measures in case of its subsidiaries or associates hiring major suppliers. We require our suppliers to share our philosophy on fully complying with any applicable environmental laws, regulations and rules, which include obtaining all necessary environmental approvals and certifications. In additions, suppliers are responsible for ensuring the health and safety of their employees and other people at workplace, as well as its hygiene.

Product Responsibility

Quality first

We stress the importance of service quality and corporate reputation, as we reinforce internal control to safeguarding product and service quality. We are dedicated to offering clients with best experience and ensuring our service safety and compliance with applicable laws. We also enter into service contract with clear terms and conditions to protect interests of both parties. We maintain and review our communication channels with clients, including assigning a designated officer for each client to gain clients' feedback, so that we can promptly respond to their complaints and improve our service system upon investigations on complaints and services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Privacy policy

Our operation in money lending involves handling of private and sensitive information such as financial information of our clients. In light of this, the Group has adopted guidelines to advise employees on careful handling of clients' personal data and business record, in order to safeguard clients from losses.

Advertising and labelling

We do not engage in extensive publicity activities promoting our service; however, in terms of description and introduction of our service, we comply with the Trade Descriptions Ordinance (Chapter 362 of Hong Kong Legislation) and applicable laws, regulations and standards enforced by other countries, regions and our industry. All promotional activities of our product and service are launched upon confirmation that we followed the requirements for the use and execution of brand identity and advertisement of our products and services. We also seek legal advices when necessary.

During the Reporting Period, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters. There were no losses arising from leak of clients' privacy or other service problems, nor any complaint and damage claims made our clients because of poor service quality.

Anti-corruption

The Group adheres to the philosophy of integrity in doing business and is devoted to creating a corruption-free work atmosphere. We oblige directors and all employees to comply with relevant laws and moral standard. The Group has set up an audit committee whilst hiring external professional parties for compliance with corporate governance and disclosure requirements by HKEx. We regularly evaluate our internal control mechanism to enhance our governance level.

On daily operation, the Group has a zero-tolerance policy regarding corruption and fraud. Detailed terms about anti-corruption, anti-bribery and conflict of interests are set out in employee's code of conduct to ensure strict compliance of laws by all employees.

Whistle-blowing policy

The Group regularly provides anti-corruption information to employees to heighten their awareness and promote professional conduct. Employees can report any abuse of power, bribery and other illegal or dishonest acts of our clients, other employees and business partners through our anonymous whistle-blowing mechanism, while we promise to protect whistle-blowers' identity. Whenever corruption or fraud cases are spotted, we will immediately carry out inspection and report to management and law enforcement authorities. We will make rectifying measures upon review of each case.

During the Reporting Period, no corruption or fraudulent incident was discovered in the Group. The Group will review the implementation of respective systems periodically and devote more resources to improve the mechanism if necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

COMMUNITY

Community Investment

The Group values corporate social responsibility and raise employees' awareness of caring for the community and mutual help.

During the Reporting Period, the Group proactively seeks to promote the spirit of corporate social responsibility within the company by organising or participating in appropriate community activities. We, through this kind of events, aspire to giving back from our employees, foster positive relationships between our employees and the communities by caring for and helping the needy.

Appendix II: ESG Reporting Guide of The Stock Exchange of Hong Kong Limited

Subject Areas	Content	Section in This ESG Report
A. Environmental Aspect		
A1 Emissions		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment – Emissions
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment – Use of Resources
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment –Environment and Natural Resources
B. Social Aspect		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices – Recruitment, Remuneration and Dismissal Policies; Equal Opportunities, Diversity and Inclusion

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Subject Areas	Content	Section in This ESG Report
B2 Health and Safety		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Practices –Health and Safety
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practices –Development and Training
B4 Labour Standard		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Practices –Labour Standards
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management
B6 Product Responsibility		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices – Product Responsibility
B7 Anti-corruption		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practices – Anti-corruption
Community		
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community – Community Investment

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. The principal activities of the Group, are detailed in the note 17 to the consolidated financial statements. The Group is principally engaged in the money lending business and processing and trading of electronic parts. An analysis of the Group's performance of the Year by business segment and its geographical segment information is set out on note 5 to the consolidated financial statements.

Business Review

Detailed business review of the Group's business during the Year, including the analysis of Group's performance during the Year by using the financial key performance indicators, is set out in the section of Management Discussion and Analysis on pages 5 to 9 this annual report. Future development of the Company's business is set out in the section of Business Outlook and Prospect in this annual report on page 9.

The Directors has not identified any important events affecting the Group that have occurred subsequent to the Year.

Key risks and uncertainties

The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties.

Business risks

The Group's money lending business is subject to risks that a customer or counterparty may fail to perform its contractual obligations on payment of interest as the principal or that the value of collateral held to secure the obligations might be inadequate. While the Group has internal policies and procedures designed to manage such risks, these policies and procedures may not be fully effective. Any material customers delay or default on their payments could adversely affect the Group's financial position and profitability. Although the Group has adopted the money lending policy and money lending procedure manual which provide guidelines on the handling and/or monitoring of the money lending procedures according to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), the Group may face the risk of breaching the relevant rules and regulations from time to time, which may result in penalty or other potential liabilities to the Group.

The Group's processing and trading of electronic parts business are operating in the PRC. Any addition or amendment to existing laws and regulations or any reduction of demand in PRC may affect the Group's financial position and performance. The Group's processing and electronic parts business are highly competitive to price and quality. The pricing of similar products by competitors may adversely affect the pricing of the products and could resulted in keen competition in price, lower business' revenue and profitability level or suffer from loss of market share.

REPORT OF THE DIRECTORS *(Continued)*

The Group will update and monitor the risks exposures to the Group's businesses to ensure appropriate measures are implemented on a timely manner.

Market risks

The business operations of the Group are primarily based in Hong Kong and the PRC. Accordingly, the Group's operating results, financial position and prospects could be adversely affected by economic, political and legal developments in those territories. Any changes in the political and economic policies/environments of the those territories (including, but not limited to, government policies, political instability, expropriation, laws, labour activism, war, civil unrest, terrorism, and changes in interest rates, foreign exchange rates, taxation, environmental regulations and import and export duties and restrictions) may adversely affect the Group's business and results of operations as well as its ability to sustain its expansion strategies and thus future growth. The Group manages and monitors the market risks exposure to the Group's business to ensure appropriate measures are implemented on a timely manner.

Foreign exchange rates risks

The Group has assets and liabilities denominated in currencies other than its functional currency and that are subject to fluctuation in foreign exchange rate. The Group monitors the foreign exchange exposure and will consider to hedge significant foreign currency exposure should the need arise.

Equity price risks

Equity price risk arises from fluctuation in quoted market price of the Group's investment in financial assets. The Group counters the equity price risk by ensuring a board diversification of the Group's investment portfolio and ensuring the investment portfolio are frequently reviewed and monitored.

Operational risks

Operational risk is the risk of loss resulting from inadequate or fail internal processes, people and system, or from external events. In order to manage these risks, the Group had set a standard operational procedures, limits of authority and reporting framework and invests in human resources and equipments to manage and reduce the operational risks exposure.

Liquidity risks

Liquidity risk is the potential that our Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Group will continually monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the Group to meet its finance needs.

REPORT OF THE DIRECTORS *(Continued)*

Compliance with relevant laws and regulation

During the year ended 31 December 2018, the Company was not aware of any material non-compliance with any relevant laws and regulations that have a significant impact to the Group.

Relationships with stakeholders

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the Year and the Group will make necessary adjustments based on the result of the performance evaluation.

In addition to the salaries, the Group had set up a mandatory provident fund scheme ("MPF Scheme") in accordance with the Hong Kong Employment Ordinance and medical insurance plan for our staffs in Hong Kong. The MPF Scheme is subject to regulations under the Mandatory Provident Fund Scheme Ordinance and is a defined contribution retirement plan administrated by independent trustees. The Group's staffs in the PRC are entitled to national statutory social insurance under the statutory Employment Ordinance of the PRC.

The Group understands the importance of maintaining a good relationship with our business partners, which including the Group's customers and suppliers. The Group believes that a healthy relationship can be build up by providing better products and enhanced services to the customers, maintaining an effective communication channel to the employees and collaborating with key suppliers.

The Group engages professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

Environmental Policy and Social Responsibility

The Group is committed to protect the environment and maintain a high standard of corporate social governance. Details of the policies are set out in the section headed "Environmental, Social and Governance Report" from pages 29 to 40 of this annual report.

Major Customers and Suppliers

For the year ended 31 December 2018, the five largest customers accounted for approximately 32.6% of the Group's total revenue. The five largest suppliers accounted for approximately 25.7% of the Group's total purchases. In addition, the largest customer accounted for approximately 8.4% of the Group's total revenue while the largest supplier accounted for approximately 6.8% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS *(Continued)*

Results and Dividends

Details of the Group's results for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 57 to 58 of this annual report.

The Directors did not recommend the payment of final dividend in respect of the Year.

Share Capital

During the year ended 31 December 2018, there was no change on the Company's issued share capital.

Details of movements in the Company's issued share capital in 2018 and 2017 are set out in the note 26 to the consolidated financial statements.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Year.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association and the laws in the Cayman Islands in relation to the issue of new shares by the Company.

Reserves

Details of movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 26 to the consolidated financial statements, respectively.

Distributable Reserves

As at 31 December 2018 and 2017, the Company has no reserves available for distribution to its shareholders.

Plant and Equipments

Details of movements in plant and equipments of the Group during the Year are set out in note 13 to the consolidated financial statements.

Bank and Other Borrowings

Particulars of other borrowings of the Group as at 31 December 2018 was set out in the consolidated statement of financial position and note 24 to the consolidated financial statements.

REPORT OF THE DIRECTORS *(Continued)*

Connected Transactions

There were no connected party transactions entered into by the Group for the Year.

Directors

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

Executive Directors

Ms. TSUI Annie
Ms. WANG Ziyi

Independent Non-executive Directors

Mr. CHAN Kwan Yiu
Ms. MA Sijing
Ms. HO Yuen Ki

Ms. WANG Ziyi and Ms. MA Sijing will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of GEM Listing Rules and the Company considers the independent non-executive Directors remained independent.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out on page 10 of this annual report.

Directors' Service Contracts

All Directors have not been appointed for any fixed term but shall be subject to retirement by rotation in accordance with the Articles of Association.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the Year.

REPORT OF THE DIRECTORS *(Continued)*

Directors' and Chief Executives' Interests or Short Positions in the Shares, Underlying Shares or Debentures of the Company or any Associated Corporations

As at 31 December 2018, none of the Directors or chief executives of the Company had any interests or short positions 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 under the Laws of Hong Kong ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 31 December 2018, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

Share Option Scheme

The Company has adopted the existing share option scheme (the "Share Option Scheme") on 24 September 2009. The scheme mandate limit of which has been refreshed at the AGM on 19 May 2017. During the Year, no share options had been granted, exercised nor cancelled nor lapsed.

Details of the Share Option Scheme is as follows:

1 Purposes

The purpose of the Share Option Scheme is to provide incentives or rewards to the participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

2 Qualifying participants

The qualifying participants include any employee (whether full time or part time), executive or officer, director (including executive, non-executive and independent non-executive directors) of any member of the Group or any invested entity, which is any entity in which the Group holds an equity interest, and any consultant, adviser or agent of any member of the Board, who have contributed or will contribute to the growth and development of the Group or any invested entity.

REPORT OF THE DIRECTORS *(Continued)*

Share Option Scheme *(Continued)*

3 Maximum number of shares

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall be 214,652,058 Shares, approximately 10% of the Shares in issue as at 19 May 2017. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 160,850, which is approximately 0.01% of the issued share capital of the Company.

4 Maximum entitlement of each participant

Maximum entitlement of each participant is 1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant, any further grant of options to a participant in excess of the Individual Limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant must be subject to the Shareholders' approval in general meeting of the Company with such participant and his/her associates abstaining from voting.

5 Option period

The option period is determined by the Board provided that it is not later than 10 years from the date the Board makes an offer of the grant of an option subject to the provision for early termination. There is no minimum period for which an option must be held before it can be exercised.

6 Acceptance of offer

Options granted must be accepted within 28 days from the date of the offer of grant of the option, upon payment of HK$10 per grant.

7 Exercise price

The exercise price must be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

8 Remaining life of the scheme

It shall be effective for a period of ten years commencing on 24 September 2009.

REPORT OF THE DIRECTORS *(Continued)*

Share Option Scheme *(Continued)*

As at 31 December 2018, certain consultants, advisers and other service providers of the Company had the following interests in options to subscribe for shares of the Company granted for nil consideration under the Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one Share of HK$0.02 of the Company.

Details of grantees	No. of options outstanding	Date granted	Period during which options are exercisable	Exercise price per share
Consultants, Advisers, Service Providers, Employees and Others	160,850	11 November 2009	11 November 2009 to 10 November 2019	HK$59.029

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 3 and 28 to the consolidated financial statements respectively.

Apart from the foregoing, at no time during the Year was the Company, or any of its holding company, 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.

Directors' and Chief Executives' Rights to Acquire Shares or Debt Securities

As at 31 December 2018, save for the Share Option Scheme, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Competing Interest

The Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the Year.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, Directors.

Pursuant to the Articles of Association, the Directors, Company Secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

REPORT OF THE DIRECTORS *(Continued)*

Audit Committee

The Company established an audit committee ("Audit Committee") in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include the review and supervision of the financial reporting process and the internal control and risk management systems of the Group on ongoing basis. During the year under review, the Audit Committee comprised of three members and all of whom are independent non-executive Directors. Mr. CHAN Kwan Yiu who process appropriate professional qualifications, accounting and related financial management expertise, is the Chairman of the Audit Committee. The Audit Committee meets at least quarterly. The Group's audited financial results for the Year have been reviewed by the Audit Committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal control and risk management systems of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the year under review, no material matters were identified and reported by the Audit Committee to the Board.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Corporate Governance

Throughout the year under review, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules, except rule A.4.1 that non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company, and rule A.6.7 that independent non-executive Directors did not attend all general meetings.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The internal control system includes safeguarding of the interest of shareholders and the Group's assets. It has been an important duty of the Board to conduct a review of internal control system to ensure the effectiveness and adequacy of the system of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions.

Major Events After the Year

The Group has no major event after the Year.

Auditors

A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the ensuing year will be proposed at the forthcoming AGM.

On behalf of the Board
TSUI Annie
Chairperson
Hong Kong, 25 March 2019

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HLB Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
HAO WEN HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hao Wen Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 57 to 145, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditors' 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.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interest in associates Refer to note 16 to the consolidated financial statements The Group has interest in associate of interest of approximately RMB18,570,000 relating to the development and sale of POS business as at 31 December 2018. Management performed impairment assessment of development and sales of POS business and concluded that an impairment loss on interest in associates of approximately RMB10,645,000 was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation were obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking on a sampling basis, the accounting and relevance of the input data used. We found the key assumptions were supported by the available evidence.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Key audit matter	How our audit addressed the key audit matter

Allowance for expected credit losses assessment of trade receivables

Refer to note 18 to the consolidated financial statements

The Group had trade receivables of approximately RMB19,180,000 (2017: RMB3,356,000) and provision for allowance for expected credit losses of approximately RMB275,000 (2017: Nil).

In general, the trade receivable credit terms granted by the Group to the customers ranged between 60 to 90 days (2017: 90 days). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for allowance for expected credit losses based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the allowance for expected credit losses assessment.

We focused on this area due to the allowance for expected credit losses assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

Our procedures in relation to management's allowance for expected credit losses assessment of the trade receivables as at 31 December 2018 included:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Key audit matter	How our audit addressed the key audit matter

Allowance for expected credit losses assessment of loan receivables

Refer to Note 18 to the consolidated financial statements.

As at 31 December 2018, the Group's gross loan receivables amounted to RMB317,915,000 (2017: RMB319,997,000) and a provision for allowance for expected credit losses of loan receivables of RMB9,657,000 (2017: RMB3,328,000) was recognised in the Group's consolidated balance sheet.

The balance of provision for allowance for expected credit losses of loan receivables represents the management's best estimates at the balance sheet date of expected credit losses under International Financial Reporting Standard 9: Financial Instruments expected credit losses models.

Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their expected credit losses. The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following:

– Selection of appropriate model and determination of relevant key measurement parameters, including probability of default, loss given default and exposure at default;

– Criteria for determining whether or not there was a significant increase in credit risk or a default; and

– Economic indicator for forward-looking measurement, and the application of economic scenarios and weightings.

We focus on this area due to the magnitude of the loan receivables and the significant estimates and judgement involved in determining the expected credit impairment losses allowance on the loan receivables.

Our procedures in relation to management's assessment on provision for allowance for expected credit losses of loan receivables as at 31 December 2018 included:

- understood and tested the key control procedures performed by management, including its procedures on periodic review on overdue receivables and the assessment of expected credit losses allowance on the loan receivables;

- understood and evaluated the modelling methodologies for expected credit losses measurement, assessed the reasonableness of the model selection and key measurement parameters determination;

- for the historical information, discussed with management to understand the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence;

- for forward-looking measurement, we assessed the reasonableness of economic indicator selection, economic scenarios and weightings application, assessed the reasonableness of the estimation by comparing with industry data; and

- checked major data inputs used in the expected credit losses models on sample basis to the Group's record.

Based on the above, we found that the estimates and judgement made by management in respect of the expected credit losses allowance and the collectability of the loan receivables were supportable by the available evidence.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "**Other Information**").

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

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

Responsibilities of the Directors and the Audit Committee 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 IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

INDEPENDENT AUDITORS' REPORT *(Continued)*

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	4	**74,676**	47,060
Cost of sales		**(33,572)**	(15,867)
Gross profit		**41,104**	31,193
Other gains	6	**589**	–
Loss on fair value of financial assets at fair value through profit or loss		**(2,488)**	(35,203)
General and administrative expenses		**(36,802)**	(40,906)
Impairment loss on interest in associates	16	**(10,645)**	(17,387)
Impairment loss on available-for-sale financial assets	15	**–**	(1,416)
Loss from operations		**(8,242)**	(63,719)
Share of results of associates	16	**1,038**	616
Finance costs	7(a)	**(2,928)**	(373)
Loss before taxation	7	**(10,132)**	(63,476)
Taxation	8	**377**	(879)
Loss for the year		**(9,755)**	(64,355)
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**20,992**	(30,031)
Share of changes in other comprehensive income/(loss) in associates		**155**	(140)
Loss arising on revaluation of available-for-sale financial assets		**–**	(1,416)
Reclassification adjustments relating to available-for-sale financial assets		**–**	1,416
Item that will not be reclassified to profit or loss:			
Change in fair value of a financial asset at fair value through other comprehensive income		**(1,100)**	–
		20,047	(30,171)
Total comprehensive income/(loss) for the year		**10,292**	(94,526)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(9,563)**	(60,996)
Non-controlling interests		**(192)**	(3,359)
		(9,755)	(64,355)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**10,484**	(91,167)
Non-controlling interests		**(192)**	(3,359)
		10,292	(94,526)
Loss per share	12		
Basic and diluted (RMB cents)		**(0.45)**	(2.91)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Plant and equipments	13	**5,003**	5,223
Goodwill	14	**12,292**	11,661
Financial assets at fair value through other comprehensive income	15	**7,505**	–
Available-for-sale financial assets	15	**–**	7,813
Interest in associates	16	**18,570**	24,925
Loan receivables	18	**54,880**	13,824
Deferred tax assets	22(b)	**1,011**	–
		99,261	63,446
Current assets			
Trade, loan and other receivables, prepayments and deposits	18	**285,531**	314,157
Financial assets at fair value through profit or loss	19	**3,886**	6,135
Cash and bank balances	20	**41,008**	14,266
		330,425	334,558
Current liabilities			
Trade and other payables	21	**17,019**	31,553
Tax payables	22	**1,245**	1,122
Obligations under finance leases	23	**–**	1,314
		18,264	33,989
Net current assets		**312,161**	300,569
Total assets less current liabilities		**411,422**	364,015
Non-current liabilities			
Obligations under finance leases	23	**–**	2,123
Borrowings	24	**13,628**	–
Bonds payable	25	**29,237**	–
		42,865	2,123
Net assets		**368,557**	361,892
Capital and reserves attributable to owners of the Company			
Share capital	26	**36,184**	36,184
Reserves	26	**345,478**	338,621
Equity attributable to owners of the Company		**381,662**	374,805
Non-controlling interests		**(13,105)**	(12,913)
Total equity		**368,557**	361,892

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2019 and are signed on its behalf by:

Tsui Annie	**Wang Ziyi**
Director	*Director*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital	Share premium	Warrants reserve	Capital reduction reserve	Share-based compensation reserve	Available-for-sale financial assets reserve	Financial assets at fair value through other comprehensive income reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
		Note 26(b)(i)		Note 26(b)(ii)	Note 26(b)(iii)			Note 26(b)(v)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	29,847	325,164	1,263	495,170	34,568	–	–	29,283	(488,139)	427,156	(9,554)	417,602
Loss for the year	–	–	–	–	–	–	–	–	(60,996)	(60,996)	(3,359)	(64,355)
Other comprehensive loss for the year												
Exchange differences on other comprehensive loss in associate	–	–	–	–	–	–	–	(140)	–	(140)	–	(140)
Exchange differences on translating foreign operation	–	–	–	–	–	–	–	(30,031)	–	(30,031)	–	(30,031)
Loss arising on revaluation of available-for-sale financial assets	–	–	–	–	–	1,416	–	–	–	1,416	–	1,416
Reclassification adjustments relating to available-for-sale financial assets	–	–	–	–	–	(1,416)	–	–	–	(1,416)	–	(1,416)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(30,171)	(60,996)	(91,167)	(3,359)	(94,526)
Issue of shares upon placing (Note 26(a))	6,337	33,271	–	–	–	–	–	–	–	39,608	–	39,608
Transaction costs in relation to issue of shares pursuant to placing	–	(792)	–	–	–	–	–	–	–	(792)	–	(792)
Release upon lapse of share options	–	–	–	–	(27,253)	–	–	–	27,253	–	–	–
Release upon lapse of warrants	–	–	(1,263)	–	–	–	–	–	1,263	–	–	–
At 31 December 2017	**36,184**	**357,643**	**–**	**495,170**	**7,315**	**–**	**–**	**(888)**	**(520,619)**	**374,805**	**(12,913)**	**361,892**
Adoption of IFRS 9 (note 2(e))	–	–	–	–	–	–	(8,577)	–	4,950	(3,627)	–	(3,627)
Adjusted balance at 1 January 2018	36,184	357,643	–	495,170	7,315	–	(8,577)	(888)	(515,669)	371,178	(12,913)	358,265
Loss for the year	–	–	–	–	–	–	–	–	(9,563)	(9,563)	(192)	(9,755)
Other comprehensive income for the year												
Exchange differences on other comprehensive income in associate	–	–	–	–	–	–	–	155	–	155	–	155
Exchange differences on translating foreign operation	–	–	–	–	–	–	–	20,992	–	20,992	–	20,992
Change in value of a financial asset at fair value through other comprehensive income	–	–	–	–	–	–	(1,100)	–	–	(1,100)	–	(1,100)
Total comprehensive income for the year	–	–	–	–	–	–	(1,100)	21,147	(9,563)	10,484	(192)	10,292
As at 31 December 2018	**36,184**	**357,643**	**–**	**495,170**	**7,315**	**–**	**(9,677)**	**20,259**	**(525,232)**	**381,662**	**(13,105)**	**368,557**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Operating activities			
Loss before taxation		**(10,132)**	(63,476)
Adjustments for:			
Depreciation	7(c)	**1,095**	5,871
Loss on fair value of financial assets at fair value through profit or loss		**2,488**	35,203
Impairment loss on interest in associates	7(c)	**10,645**	17,387
Write-down of inventories	7(c)	**–**	126
Share of results of associates		**(1,038)**	(616)
Finance costs	7(a)	**2,928**	373
Impairment loss on available-for-sale financial assets	7(c)	**–**	1,416
Allowance for expected credit losses recognised in respect of trade, other and loan receivables	7(c)	**2,474**	3,328
(Gain)/loss on disposal of plant and equipments	7(c)	**(589)**	2,306
Operating profit before working capital changes		**7,871**	1,918
Increase in trade, loan and other receivables, prepayments and deposits		**(9,963)**	(43,294)
(Decrease)/increase in trade and other payables		**(16,242)**	12,130
Cash used in operations		**(18,334)**	(29,246)
Tax refund		**142**	–
Net cash used in operating activities		**(18,192)**	(29,246)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from investing activities			
Purchase of plant and equipments		**(4,234)**	(18)
Proceeds from disposal of plant and equipments		**4,210**	–
Net cash used in investing activities		**(24)**	(18)
Cash flows from financing activities			
Proceeds from placing of shares		**–**	39,608
Payment for the transaction cost attributable to placing of shares		**–**	(792)
Repayment of obligation under finance leases		**(3,437)**	(3,402)
Repayment of interest on obligation under finance leases		**(117)**	(373)
Proceed from bonds payable		**26,445**	–
Proceed from borrowings		**13,609**	–
Net cash generated from financing activities		**36,500**	35,041
Net increase in cash and cash equivalents		**18,284**	5,777
Cash and cash equivalents at the beginning of the year	20	**14,266**	11,692
Effect of exchange rate changes on the balance of cash held in foreign currencies		**8,458**	(3,203)
Cash and cash equivalents at the end of the year	20	**41,008**	14,266

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. General Information

Hao Wen Holdings Limited (the "Company") was incorporated in the Cayman Islands on 1 August 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands, and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 July 2001. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the money lending and processing and trading of electronic parts.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations promulgated by the IASB. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

2. Basis of Preparation *(Continued)*

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its operating subsidiary in the People's Republic of China (the "PRC") are Hong Kong dollars and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency. All financial information presented in RMB has been rounded to the nearest thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

2. Basis of Preparation *(Continued)*

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and report amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are disclosed in notes 32.

(e) Application of new and revised International Financial Report Standards ("IFRSs")

The Group has applied the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB"), which are effective for the Group's financial year beginning on or after 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

The above new IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

2. Basis of Preparation *(Continued)*

(e) Application of new and revised International Financial Report Standards ("IFRSs") *(Continued)*

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**31 December 2017**	**IFRS 9**	**1 January 2018**
	RMB'000	RMB'000	RMB'000
Non-current assets			
Available-for-sale financial assets	7,813	(7,813)	–
Financial assets at fair value through other comprehensive income	–	7,813	7,813
Loan receivables	13,824	(3,451)	10,373
Deferred tax assets	–	681	681
Current assets			
Trade, loan and other receivables, prepayment and deposits	314,157	(857)	313,300
Net current assets	300,569	(857)	299,712
Net assets	361,892	(3,627)	358,265
Capital and reserves			
Reserves	338,621	(3,627)	334,994
Total equity	361,892	(3,627)	358,265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

2. Basis of Preparation *(Continued)*

(e) Application of new and revised International Financial Report Standards ("IFRSs") *(Continued)*

IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments, Amendments to IFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses ("ECL") for financial assets.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of IFRS 9 are disclosed in note 2(e) to consolidated financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

2. Basis of Preparation *(Continued)*

(e) Application of new and revised International Financial Report Standards ("IFRSs") *(Continued)*

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other item subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

Classification and measurement

	Available-for-sale financial assets RMB'000	Financial assets at fair value through other comprehensive income ("FVTOCI") RMB'000
Closing balance at 31 December 2017 – IAS 39	7,813	–
Effect arising from initial application of IFRS 9:		
Reclassification from available-for sale assets to FVTOCI *(Note (i))*	(7,813)	7,813
Opening balance at 1 January 2018 (restated)	–	7,813

Notes:

(i) From Available-for-sale ("AFS") financial assets investments to FVTOCI

The Group elected to present in other comprehensive income for the fair value changes of all its unlisted equity investments previously classified as available-for-sale financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, available-for-sale financial assets of approximately RMB7,813,000 which is related to unquoted equity investments previously measured at fair value under IAS 39 were reclassified to financial assets at FVTOCI. There is no impact of transition to IFRS 9 on reserve at 1 January 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at the date of initial application have not been impacted by the initial application of IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

2. Basis of Preparation *(Continued)*

(e) Application of new and revised International Financial Report Standards ("IFRSs") *(Continued)*

Summary of effects arising from initial application of IFRS 9 *(Continued)*

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under IAS 39, ECL for other financial assets at amortised cost, including deposits, other receivables and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follow.

Other financial assets measured at amortised cost

Other financial assets at amortised cost, including cash and bank balances are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

The following tables summarised the impact, net of tax, of transition IFRS 9 on the opening balance of receive 1 January 2018 as follow:

	FVTOCI reserve RMB'000	**Accumulated loss** RMB'000
As at 31 December	–	(520,619)
Reclassification to FVTOCI *(note i)*	(8,577)	8,577
Increase in expected credit loss ("ECLs") in		
– Trade receivables	–	(18)
– Loan receivables	–	(4,109)
– Other receivables	–	(181)
– Deferred tax assets	–	681
Accumulated loss as at 1 January 2018, (restated)	(8,577)	(515,669)

Upon the initial application of IFRS 9, an impairment losses on available-for-sale financial assets previously recognized RMB8,577,000 were transferred from accumulated losses to FVOCI reserve as at 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

2. Basis of Preparation *(Continued)*

(e) Application of new and revised International Financial Report Standards ("IFRSs") *(Continued)*

Summary of effects arising from initial application of IFRS 9 *(Continued)*

Other financial assets measured at amortised cost (Continued)

All loss allowances, including trade receivables, loan receivables and other receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables RMB'000	Loan receivables RMB'000	Other receivables RMB'000
At 31 December 2017 – IAS 39	–	(3,328)	–
Amounts re-measured through opening – accumulated loss	(18)	(4,109)	(181)
At 1 January 2018 – IFRS 9 (restated)	(18)	(7,437)	(181)

IFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

- Sale of electronic parts

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in note to the audited consolidated financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

2. Basis of Preparation *(Continued)*

(e) Application of new and revised International Financial Report Standards ("IFRSs") *(Continued)*

Issued but not yet effective International Financial Reporting Standards

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC – Int 23	Uncertainty over income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 10 and IAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Venture[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after a date to be determined.

[3] Effective for annual periods beginning on or after 1 January 2021.

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

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

Except for the new and amendments to IFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

2. Basis of Preparation *(Continued)*

(e) Application of new and revised International Financial Report Standards ("IFRSs") *(Continued)*

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be spilt into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Further, extensive disclosures are required by IFRS 16

As set out in note 31, total operating lease commitment of the Group in respect of its property rental as at 31 December 2018 was amounting to approximately RMB372,000. A preliminary assessment indicated that these arrangement will meet the definition of a lease under IFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(b) Investments in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses.

(c) Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(c) Investments in associates *(Continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(e) Plant and equipments

(i) Recognition and measurement

Items of plant and equipments are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed items of assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of plant and equipments have different useful lives, they are accounted for as separate items (major components) of plant and equipments.

Gains or losses arising on disposal of an item of plant and equipments are determined by comparing the proceeds from disposal with the carrying amount of plant and equipments, and are recognised net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipments is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipments are recognised in profit or loss as incurred.

(iii) Depreciation

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

– Machinery and equipment	8 – 10 years
– Furniture and office equipment	5 – 8 years
– Motor vehicles	5 – 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(f) Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is Included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred,

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(g) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity" investments, "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(g) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at financial asset at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near future; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(c) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

(a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(b) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(g) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designed as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of Available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in other comprehensive income and accumulated under the heading of available-for-sale financial asset reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial asset reserve is reclassified to profit or loss.

Dividends on available-for-sale equity investments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortised cost of the monetary assets. Other foreign exchange gains and losses are recognized in other comprehensive income.

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 investments are measured at cost less any identified impairment losses at the end of each reporting period.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income.

Loan 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 (including trade and other receivables and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(g) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty; or

(b) breach of contract, such as a default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(g) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Impairment of financial assets (Continued)

When available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through 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.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(g) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at fair value though profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in comprehensive income.

For financial liabilities, they are removed from the Group's consolidated statement of financial positions when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the consolidated statement of profit or loss and other comprehensive income.

(h) Financial instruments (under the adoption of IFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(h) Financial instruments (under the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically

a. debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"), are subsequently measured at amortised cost;

b. debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and

c. all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income; and

- the Group may irrevocably designate a debt instrument that meets the amortised cost of FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(h) Financial instruments (under the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECLs"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(h) Financial instruments (under the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Amortised cost and effective interest method *(Continued)*

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are neither measured at FVTPL:

(a) Trade receivables

(b) Deposit, loan and other receivables

(c) cash and bank balances

ECLs are required to be measured through a loss allowance at an amount equal to:

(a) 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage l); or

(b) Lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(h) Financial instruments (under the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Amortised cost and effective interest method (Continued)

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. The measurement of loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(h) Financial instruments (under the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Amortised cost and effective interest method *(Continued)*

Significant increase in credit risk *(Continued)*

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(h) Financial instruments (under the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Amortised cost and effective interest method *(Continued)*

Credit-impaired financial assets

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

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

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

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

(d) the disappearance of an active market for a security because of financial difficulties; or

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(h) Financial instruments (under the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Amortised cost and effective interest method *(Continued)*

Measurement and recognition of ECLs (Continued)

For financial assets, the ECL is estimated 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, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each separate group continues to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(h) Financial instruments (under the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Amortised cost and effective interest method (Continued)

Measurement and recognition of ECLs (Continued)

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risk are taken into account by adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for ECL are presented in the consolidated statements of financial position as follows:

(a) for financial assets measured at amortised cost; loss allowances for ECL are presented in the combined statements of financial position as a deduction from the gross carrying amount of the assets;

(b) for equity instruments measured at FVTOCI, no loss allowance is recognised in the consolidated statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the FVTOCI reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as other financial liabilities or as equity in accordance with the substance of the contractual arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(h) Financial instruments (under the adoption of IFRS 9 as at 1 January 2018) *(Continued)*

Amortised cost and effective interest method *(Continued)*

Financial liabilities

Financial liabilities, including trade and other payables, borrowings and bonds payable are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity instruments

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(j) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(k) Trade and other payables

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

(l) Revenue recognition

Revenue from contracts with customers (upon adoption of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance complete to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(l) Revenue recognition *(Continued)*

Revenue from contracts with customers (upon adoption of IFRS 15 in accordance with transitions in note 2) *(Continued)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

(i) Processing and trading of electronic parts

Revenue from the processing and sales of electronic parts is recognised when control of the products has transferred, being at the point the products are delivered to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of discounts, returns and value added taxes.

A receivable is recognised when the products are delivered and the customers accept the products, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted of the original effective, interest rate of the instrument and continues unwinding the discount as interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(l) Revenue recognition *(Continued)*

Revenue (before adoption of IFRS 15 on 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. 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 in profit or loss as follows:

(i) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue excludes value added tax or other sales taxes and is stated after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted of the original effective, interest rate of the instrument and continues unwinding the discount as interest income.

(m) Employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(m) Employee benefits *(Continued)*

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counter parties render services, unless the goods or services, unless the goods or services qualify for recognition as assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(n) Finance income and costs

Finance income comprises interest income on funds invested that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying assets are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(p) Provisions and contingent liabilities

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

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

(q) Translation of foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(r) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

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

(i) the entity and the Group are members of the same group (which means that each 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 which the other entity is a member);

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

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

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

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

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

(s) Segment reporting

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

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

4. Revenue

Revenue represents (i) the sales value of goods supplied to customers, which net of value added tax and is stated after deduction of goods returns and trade discounts and, (ii) interest income earned from the money lending business.

Disaggregation of revenue from contracts with customers

	2018 **RMB'000**	2017 RMB'000
Revenue from contracts with customers:		
Revenue is analysis by type of goods and services		
Sales of electronic parts	**41,219**	15,053
Revenue from other sources		
Interest income from loan financing	**33,457**	32,007
Total revenue	**74,676**	47,060
Timing of revenue recognition:		
A point in time	**41,219**	15,053
Over time	**33,457**	32,007
	74,676	47,060
Geographical market:		
The PRC	**41,219**	15,053
Hong Kong	**32,480**	32,007
Other	**977**	–
	74,676	47,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

5. Segment Reporting

Information reported to the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods devoured or provided. The segmentations are based on the information about the operation of the Group that management uses to make decision and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's reportable and operating segment under IFRS 8 are as follows:

(i) Interest income earned from the money lending business; and

(ii) Processing and trading of electronic parts.

Segment revenues and results

	Money lending		Electronic parts		Unallocated		Consolidated	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Revenue								
External sales	**33,457**	32,007	**41,219**	15,053	**–**	–	**74,676**	47,060
Result								
Segment result	**9,061**	6,706	**9,448**	3,013	**–**	–	**18,509**	9,719
Unallocated corporate expenses							**(11,733)**	(16,104)
Other gains							**589**	–
Loss on fair value of financial assets at fair value through profit or loss							**(2,488)**	(35,203)
Impairment loss on available-for-sale financial assets							**–**	(1,416)
Impairment on loan receivables	**–**	(3,328)	**–**	–	**–**	–	**–**	(3,328)
Allowance for expected credit losses	**(1,876)**	–	**(257)**	–	**(341)**	–	**(2,474)**	–
Impairment loss on interest in associates							**(10,645)**	(17,387)
Loss from operations							**(8,242)**	(63,719)
Share of results of associates							**1,038**	616
Finance costs							**(2,928)**	(373)
Loss before taxation							**(10,132)**	(63,476)
Taxation							**377**	(879)
Loss for the year							**(9,755)**	(64,355)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

5. Segment Reporting *(Continued)*

Segment revenues and results *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Segment results represent the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, share of results of associates, loss on fair value of financial assets at fair value through profit or loss, impairment loss on available-for-sale financial assets, impairment on loan receivables, impairment loss on interest in associates, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Money lending		Electronic parts		Consolidated	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Assets						
Segment assets	**343,331**	320,028	**36,125**	15,542	**379,456**	335,570
Unallocated corporate assets					**50,230**	62,434
					429,686	398,004
Liabilities						
Segment liabilities	**18,199**	17,484	**5,635**	9,214	**23,834**	26,698
Unallocated corporate liabilities					**37,295**	9,414
					61,129	36,112

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

All assets are allocated to operating segments other than financial assets at fair value through other comprehensive income, interest in associates, financial assets at fair value through profit or loss and other corporate assets.

All liabilities are allocated to operating segments other than tax payable and corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

5. Segment Reporting *(Continued)*

Other segment information

The following is an analysis of the Group's other segment information:

	Money lending		Electronic parts		Unallocated		Consolidated	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Capital expenditure	**4**	9	**4,230**	–	**–**	9	**4,234**	18
Depreciation and amortisation	**187**	866	**212**	–	**696**	5,005	**1,095**	5,871
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	1,416	**–**	1,416
Impairment loss on interest in associates	**–**	–	**–**	–	**10,645**	17,387	**10,645**	17,387
Impairment on loan receivables	**–**	3,328	**–**	–	**–**	–	**–**	3,328
Allowance for expected credit losses	**1,876**	–	**257**	–	**341**	–	**2,474**	–
Loss on fair value of financial assets at fair value through profit or loss	**–**	–	**–**	–	**2,488**	35,203	**2,488**	35,203
(Gain)/loss on disposal of plant and equipments	**(300)**	–	**–**	–	**(289)**	2,306	**(589)**	2,306
Write-down of inventories	**–**	–	**–**	–	**–**	126	**–**	126

The Group's revenue from its major products were disclosed in note 4.

Geographical information

The Group operates in two principal geographical areas, the PRC (excluding Hong Kong) and Hong Kong. The Group's revenue from the external customers by location of operations and information about its non-current assets are detailed below.

	Revenue		Non-current assets*	
	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000	**As at 31 December 2018 RMB'000**	As at 31 December 2017 RMB'000
The PRC	**41,219**	15,053	**1,503**	1,730
Hong Kong	**32,480**	32,007	**90,253**	53,903
Others	**977**	–	**–**	–
	74,676	47,060	**91,756**	55,633

* Non-current assets excluding available-for-sale financial assets and financial assets at fair value through other comprehensive income.

No customer contribute 10% or more of the total revenue for the years ended 31 December 2017 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

6. Other Gains

	2018 RMB'000	2017 RMB'000
Gain on disposal of plant and equipment	**589**	–

7. Loss Before Taxation

Loss before taxation is arrived after charging:

(a) Finance costs

	2018 RMB'000	2017 RMB'000
Interest on obligations under finance leases	**117**	373
Interest on borrowings	**19**	–
Interest on bonds payable	**2,792**	–
	2,928	373

(b) Staff costs (including directors' emoluments)

	2018 RMB'000	2017 RMB'000
Contributions to defined contribution plans	**102**	111
Salaries, wages and other benefits	**5,381**	5,235
Total staff costs	**5,483**	5,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

7. Loss Before Taxation *(Continued)*

(c) Other items

	2018 RMB'000	2017 RMB'000
Depreciation	**1,095**	5,871
Operating lease charges in respect of property rentals:		
Minimum lease payments	**1,324**	2,265
Auditors' remuneration	**950**	950
Cost of inventories sold	**33,572**	15,867
Allowance for expected credit losses	**2,474**	–
Impairment loss on loan receivables	**–**	3,328
Impairment loss on available-for-sale financial assets	**–**	1,416
Impairment loss on interest in associates	**10,645**	17,387
Loss on disposal of plant and equipments	**–**	2,306
Write-down of inventories	**–**	126
Unrealised loss on fair value of financial assets at fair value through profit or loss	**2,488**	35,203

8. Taxation

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2018 RMB'000	2017 RMB'000
Current tax		
Hong Kong	**688**	126
PRC Enterprise Income Tax	**–**	753
Over-provision in prior year – Hong Kong	**(713)**	–
	(25)	879
Deferred taxation		
– Credited to the consolidated statement of profit or loss and other comprehensive income (Note 22(b))	**(352)**	–
	(377)	879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

8. Taxation *(Continued)*

(i) Hong Kong profits tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Group is subject to Hong Kong Profit Tax at a rate of 16.5% for the year ended 31 December 2017.

(ii) Income taxes outside Hong Kong

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Company and the Company's subsidiaries registered in the BVI are not subject to any income tax in the Cayman Islands and BVI, respectively.

The subsidiary of the Group established in the PRC is generally subject to PRC Enterprise Income Tax on its taxable income at an income tax rate of 25% in respect of the year ended 31 December 2017.

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2018		2017	
	RMB'000	**%**	RMB'000	%
Loss before taxation	**(10,132)**		(63,476)	
Notional tax on loss before taxation calculation at the relevant tax rate of 16.5% (2017: 16.5%)	**(1,672)**	**(16.5)**	(10,474)	(16.5)
Income tax at concessionary rate	**(140)**	**(1.4)**	–	–
Tax effect of non-deductible expenses	**2,319**	**22.9**	11,801	18.6
Tax effect of share of results of associates	**(171)**	**(1.7)**	(101)	(0.2)
Over-provision in prior years	**(713)**	**(7.0)**	–	–
Tax effect of different tax rates in other jurisdictions	**–**	**–**	(347)	(0.5)
Income tax (credit)/expense for the year	**(377)**	**(3.7)**	879	1.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

9. Directors' and Chief Executive's Remuneration

Details of the directors' remuneration of the Company for the year, disclosed pursuant to the GEM Listing Rules and Section 383 of the Hong Kong Companies Ordinance, are as follows:

	Directors' Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2018 Total RMB'000
Executive directors:				
TSUI Annie	–	444	15	459
WANG Ziyi	220	–	–	220
Independent non-executive directors:				
MA Sijing	110	–	–	110
HO, Yuen Ki	132	–	–	132
CHAN, Kwan Yiu (appointed on 14 November 2017)	220	–	–	220
	682	444	15	1,141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

9. Directors' and Chief Executive's Remuneration *(Continued)*

	Directors' Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2017 Total RMB'000
Executive directors:				
TSUI Annie	–	337	16	353
WANG Ziyi	225	–	–	225
Independent non-executive directors:				
KWOK Pak Yu, Steven (resigned on 14 November 2017)	148	–	–	148
MA Sijing	112	–	–	112
HO, Yuen Ki	135	–	–	135
CHAN, Kwan Yiu (appointed on 14 November 2017)	29	–	–	29
	649	337	16	1,002

The details of those benefits in kind, including the principal terms and number of options granted, are disclosed in note 28.

For the years ended 31 December 2018 and 2017, no emolument was paid to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

10. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, one (2017: one) is director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other four individual (2017: four) are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries and other emoluments	**1,542**	2,587
Retirement scheme contributions	**48**	60
	1,590	2,647

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

	Number of individuals	
	2018	2017
Nil – HK$1,000,000	**4**	3
HK$1,000,000 – HK$1,500,000	**–**	1

For the years ended 31 December 2018 and 2017, no emolument was paid by the Group to any directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Dividend

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

12. Loss Per Share

(a) Basic loss per share

The calculation of the basic loss per share for the year is based on the following data:

	2018 RMB'000	2017 RMB'000
Loss		
For the purposes of basic loss per share		
Loss for the year attributable to the owners of the Company	**(9,563)**	(60,996)

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,146,520**	2,093,595

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2018 and 2017 were same as the basic loss per share. The Company's outstanding share options were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options was anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

13. Plant and Equipments

Movements in plant and equipments are as follows:

	Furniture and office equipment	Motor vehicles	Machinery and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January 2017	3,261	8,883	27,766	39,910
Currency realignment	(207)	(524)	–	(731)
Additions	18	–	–	18
Disposal	(319)	(2,673)	(26,226)	(29,218)
At 31 December 2017 and 1 January 2018	2,753	5,686	1,540	9,979
Currency realignment	149	129	160	438
Additions	4	–	4,230	4,234
Disposal	(3)	(5,815)	–	(5,818)
At 31 December 2018	**2,903**	**–**	**5,930**	**8,833**
Accumulated depreciation and impairment				
At 1 January 2017	1,778	1,222	5,641	8,641
Currency realignment	(136)	(114)	–	(250)
Charge for the year	385	1,399	4,087	5,871
Disposal	–	(639)	(8,867)	(9,506)
At 31 December 2017 and 1 January 2018	2,027	1,868	861	4,756
Currency realignment	124	43	9	176
Charge for the year	373	284	438	1,095
Disposal	(2)	(2,195)	–	(2,197)
At 31 December 2018	**2,522**	**–**	**1,308**	**3,830**
Carrying amounts				
At 31 December 2018	**381**	**–**	**4,622**	**5,003**
At 31 December 2017	726	3,818	679	5,223

Note:

As at 31 December 2018, the Group do not have any motor vehicles of assets held under finance leases (2017: RMB3,818,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

14. Goodwill

	2018 RMB'000	2017 RMB'000
Cost		
At 1 January	**224,920**	225,800
Currency realignment	**631**	(880)
At 31 December	**225,551**	224,920
Accumulated impairment loss		
At 1 January	**213,259**	213,259
Impairment loss for the year	**–**	–
At 31 December	**213,259**	213,259
Carrying amounts		
At 31 December	**12,292**	11,661

Particular of impairment testing on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

– Biomass fuel products business

– Processing and trading of electronic part business

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows:

	2018 RMB'000	2017 RMB'000
Biomass fuel products business	**213,259**	213,259
Processing and trading of electronic part business (a)	**12,292**	11,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

14. Goodwill *(Continued)*

(a) For the year ended 31 December 2018 and 31 December 2017, the recoverable amount of processing and trading of electronic parts business cash-generating units has been determined based on a value in use calculation which uses cash flow projection based on financial budgets approved by the directors and valued by the professional value covering a five year period, and discount rate of 12% (2017: 14%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3.00% (2017: 3.00%) growth rate. This growth rate does not exceed the long-term average growth rate for the market.

The key assumptions used in the value-in-use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect post experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects the past experience.

15. Financial Assets at Fair Value through Other Comprehensive Income/Available-for-sale Financial Assets

	2018 **RMB'000**	2017 RMB'000
Financial assets measured at FVTOCI		
– Equity investments (note 3 and note 4)	**7,505**	–
Unlisted investment – equity security		
At cost less impairment (note 2 and note 4)	**–**	7,813

Notes:

(1) Starry Regent Limited, a wholly owned subsidiary of the company holds 5.4% equity interest in Peak Zone Group Limited ("Peak Zone"). Peak Zone are principally engaged in the provision of integrated application.

(2) Due to continuous unsatisfactory performance of the available-for-sale financial assets, an impairment loss of approximately RMB1,416,000 was recognised in the Group's consolidated statement of profit or loss during the year ended 31 December 2017.

(3) The directors of the Company considered the fair value of the financial assets at fair value through other comprehensive income refer to the valuation performed by independent qualified valuer.

(4) Upon application of IFRS 9, the unlisted equity securities with amount approximately of RMB7,813,000 are reclassified from available-for-sale financial assets to FVTOCI at 1 January 2018. Upon the initial application of IFRS 9, accumulated impairment losses on available-for-sale financial assets previously recognised approximately of RMB8,577,000 were transferred from accumulated losses to FVOCI reserve as at 1 January 2018.

The above unlisted equity investments represent the Group's equity interest in a private entity established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that these investments are not held for trading and not expected to be sold in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

16. Interest in Associates

	RMB'000
At 1 January 2017	46,156
Share of post-acquisition profits and other comprehensive income, net of dividend received	476
Less: Impairment loss on interest in associates	(17,387)
Currency realignment	(4,320)
At 31 December 2017 and 1 January 2018	24,925
Share of post-acquisition profits and other comprehensive income, net of dividend received	1,193
Less: Impairment loss on interest in associates	(10,645)
Currency realignment	3,097
At 31 December 2018	**18,570**

During the year under review, an impairment loss on interest in associates of approximately RMB10,645,000 (2017: RMB17,387,000) was recognised in the Group's consolidated statement of profit or loss on the basis of material decline in the recoverable amount which was below the carrying amount and adverse changes in the market in which the associates operated.

During the year ended 31 December 2018, the Group had interests in the following associates:

Name of entity	Form of entity, place of incorporation/ registration and operations	Particulars of issued and fully paid share capital/registered capital	Percentage of equity attributable to the Group	Percentage of voting power hold	Principal activities
Sincere Smart International Limited	Incorporated in BVI	50,000 ordinary shares of US$1 each	22.5%	22.5%	Investment holding
Ideal Surplus Inc Limited	Incorporated in Hong Kong	10,000 ordinary shares of HK$1 each	22.5%	22.5%	Development and sales of POS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

16. Interest in Associates *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2018 RMB'000	2017 RMB'000
Total assets	**44,162**	9,731
Total liabilities	**(29,303)**	(177)
Net assets	**14,859**	9,554
Net asset attributable to the Group	**3,343**	2,150
Goodwill	**15,227**	22,775
Carrying amount	**18,570**	24,925
Revenue	**11,323**	8,750
Profit for the year	**4,612**	2,738
Group's share of profit of associates	**1,038**	616
Group's share of other comprehensive income/(expense)	**155**	(140)
Group's share of total comprehensive income	**1,193**	476

Particular of impairment testing on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash – generating units:

– Provision of cloud platforms application and solutions business

After recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows:

	2018 RMB'000	2017 RMB'000
Provision of cloud platforms application and solutions business	**15,227**	22,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

16. Interest in Associates *(Continued)*

For the years ended 31 December 2018 and 2017, the recoverable amount of this cash-generating units has been determined based on a value in use calculation which uses cash flow projection based on financial budgets approved by the directors and valued by the professional valuer covering a five year period, and discount rate of 18% (2017: 15%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3.00% (2017: 3.00%) growth rate. This growth rate does not exceed the long-term average growth rate for the market.

The key assumptions used in the value-in-use calculations are as follows:

Budgeted market shares	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects the past experience

17. Particulars of Subsidiaries

(a) The particulars of material subsidiaries of the Company at 31 December 2018 were as follows:

Name of company	Place of incorporation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company Directly	Indirectly	Principal activities
Create Profit Enterprises Limited	Hong Kong	HK$10,000	–	100%	Finance and money lending
Leader Joy International Limited	Hong Kong	HK$1	–	100%	Investment holding
Hong Kong Leap Trading Co. Limited	Hong Kong	HK$10,000	–	100%	Processing and trading of electronic parts
肇慶市寶地創新科技有限公司	The PRC	RMB500,000	–	100%	Trading and manufacturing biomass fuel products
德慶縣炬林環保新能源開發有限公司	The PRC	RMB2,000,000	–	51%	Trading and manufacturing biomass fuel products

The above table lists the subsidiaries of the Group, which, in the opinion of the directors, principally affected the results or assets of the Group. The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

17. Particulars of Subsidiaries *(Continued)*

(b) Detail of non-wholly owned subsidiary that has material non-controlling interests

Name of subsidiary	Place of incorporation	Proportion of ownership interests and voting right held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017
				RMB'000	RMB'000	**RMB'000**	RMB'000
德慶縣炬林環保新能源開發有限公司(「炬林環保」)	PRC	**49%**	49%	**(192)**	(3,386)	**(13,157)**	(12,965)

(i) 炬林環保

	2018	2017
	RMB'000	RMB'000
Current assets	**641**	668
Non-current assets	**1,503**	1,730
Current liabilities	**(28,995)**	(28,858)
Equity attributable to owners of the Company	**(13,694)**	(13,495)
Non-controlling interests	**(13,157)**	(12,965)
Revenue	**–**	–
Expenses	**(392)**	(6,911)
Loss for the year	**(392)**	(6,911)
Total comprehensive loss attributable to owners of the Company	**(200)**	(3,525)
Total comprehensive loss attributable to owners of the non-controlling interests	**(192)**	(3,386)
Total comprehensive loss for the year	**(392)**	(6,911)
Net cash used in operating activities	**(1)**	(1)
Net cash used in investing activities	**–**	–
Net cash used in financing activities	**–**	–
Net cash outflow	**(1)**	(1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

18. Trade, Loan and Other Receivables, Prepayments and Deposits

	2018 RMB'000	2017 RMB'000
Trade debtors	19,180	3,356
Loan receivables (note 1 and note 2)	308,258	316,669
Other receivables (note 2)	3,160	6,903
Rental and other deposits	9,117	319
Prepayments	696	734
	340,411	327,981
Less: Non-current portion		
– Loan receivables (note 1)	(54,880)	(13,824)
	285,531	314,157

Note:

1. The Group's loan receivables, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollar. Secured loan receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers.

2. Movement in allowance for ECL that has been recognised for loan and other receivables in accordance with the general approach under IFRS 9 for the year ended 31 December 2018 is detailed in Note 32(b)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

18. Trade, Loan and Other Receivables, Prepayments and Deposits *(Continued)*

(a) Ageing analysis of trade debtors and loan receivables

Included in trade and other receivables are trade debtors and loan receivables with the following ageing analysis based on invoice date and inception of such loans as of the end of the reporting period:

(i) Trade debtors

	2018	2017
	RMB'000	RMB'000
0 to 30 days	**2,990**	3,109
31 to 60 days	**5,020**	–
61 to 90 days	**1,684**	–
Over 90 days	**9,761**	247
	19,455	3,356
Less: allowance for expected credit losses	**(275)**	–
	19,180	3,356

Customers are generally granted with credit term of 60 to 90 days during the year ended 2018 (2017: 90 days).

Movement in allowance for expected credit losses for trade receivables

Movement in lifetime expected credit losses ("ECL") that has been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9 for the year ended 31 December 2018.

	Total
	RMB'000
Balance as at 31 December 2017 under IAS 39	–
Adjustment upon application of IFRS 9	18
Adjusted balance as at 1 January 2018	18
Allowance for expected credit losses	257
Balance as at 31 December 2018	275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

18. Trade, Loan and Other Receivables, Prepayments and Deposits *(Continued)*

(a) Ageing analysis of trade debtors and loan receivables *(Continued)*

(ii) Loan receivables

	2018 RMB'000	2017 RMB'000
0 to 30 days	**26,678**	19,674
31 to 60 days	**23,015**	11,353
61 to 90 days	**35,543**	54,087
91 to 180 days	**48,426**	164,610
181 to 365 days	**129,373**	57,509
Over 365 days	**54,880**	12,764
	317,915	319,997
Less: allowance for expected credit losses	**(9,657)**	(3,328)
	308,258	316,669

The loan to customers were repaid in accordance with the terms of the loan agreements. Further detail on the Group's policy are set out in note 32b(i).

Movement in the allowance for expected credit losses for loan receivables

	2017 RMB'000
Balance as at 1 January	–
Allowance for expected credit losses	3,328
Balance as at 31 December	3,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

18. Trade, Loan and Other Receivables, Prepayments and Deposits *(Continued)*

(a) Ageing analysis of trade debtors and loan receivables *(Continued)*

(ii) Loan receivables *(Continued)*

Movement in the allowance for expected credit losses for loan receivables *(Continued)*

Movement in lifetime ECL that has been recognised for trade receivable in accordance with simplified approach set out in IFRS 9 for the year ended 31 December 2018.

	Total RMB'000
Balance as at 31 December 2017 under IAS 39	3,328
Adjustment upon application of IFRS 9	4,109
Adjusted balance as at 1 January 2018 (note 2(e))	7,437
Allowance for expected credit losses	1,876
Exchange alignment	344
Balance as at 31 December 2018	9,657

(b) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither past due nor impaired and that are past due but not impaired are as follows:

	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	**9,694**	3,109
Less than 6 months past due	**9,486**	–
More than 6 months past due	**–**	247
Total	**19,180**	3,356

Trade debtors that were neither past due nor impaired relate to a range of customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold collaterals from the relevant customers over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

18. Trade, Loan and Other Receivables, Prepayments and Deposits *(Continued)*

(c) Loan receivables that are not impaired

The ageing analysis of loans receivable that are neither past due nor impaired and that are past due but not impaired are as follows:

	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	**308,258**	316,669
Less than 6 months past due	**–**	–
More than 6 months past due	**–**	–
Total	**308,258**	316,669

Loan receivables that neither past due nor impaired are related to all loans are currently under contract.

The increase in loss allowances for expected credit losses for loan receivables upon the transition to IFRS 9 as of 1 January 2018 were approximately of RMB4,109,000. The loss allowances further increased by approximately RMB1,876,000 for loan receivables during the year ended 31 December 2018. Details of allowance for expected credit losses assessment under expected credit loss model of loan receivables for the year ended 31 December 2018 set out in Note 32.

19. Financial Assets at Fair Value Through Profit or Loss

	2018 RMB'000	2017 RMB'000
Listed securities:		
– Equity securities listed in Hong Kong	**3,886**	6,135

Financial assets at fair value through profit or loss are stated at fair values which are determined with reference to quoted market bid prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

20. Cash and Bank Balances

	2018 RMB'000	2017 RMB'000
Cash and bank balance, denominated in		
– Hong Kong dollars and United Sates dollars	**40,700**	13,976
– Renminbi	**308**	290
Cash and cash equivalents in consolidated statement of financial position and consolidated statement of cash flows	**41,008**	14,266

Cash and bank balances of approximately RMB308,000 (2017: RMB290,000) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. Cash at banks earn interest at floating rates based on daily bank deposits rate.

21. Trade and Other Payables

	2018 RMB'000	2017 RMB'000
Trade creditors	**6,300**	9,171
Accrued expenses and other payables	**10,719**	22,382
	17,019	31,553

Included in trade and other payables are trade creditors with the following ageing analysis:

	2018 RMB'000	2017 RMB'000
0 to 30 days	**–**	–
Over 30 days	**6,300**	9,171
	6,300	9,171

The average credit period on purchases of goods is 30 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

22. Tax Payables

(a) Current taxation in the consolidation statement of financial position represents:

	2018 RMB'000	2017 RMB'000
Current tax payables for PRC enterprise income tax	–	711
Current tax payables for Hong Kong profits tax	1,245	411
	1,245	1,122

(b) Deferred taxation recognised

	Trade Receivables RMB'000	Loan Receivables RMB'000	Total RMB'000
Deferred tax arising from			
At 31 December 2017	–	–	–
Amount re-measured through opening accumulated loss	(3)	(678)	(681)
At 1 January 2018	(3)	(678)	(681)
Exchange alignment	3	19	22
Credited to the consolidated statement of profit or loss and other comprehensive income	(42)	(310)	(352)
At 31 December 2018	(42)	(969)	(1,011)

No deferred tax liabilities have been recognized as the Group does not have significant temporary difference for the year ended 2017.

Save as from above, no deferred tax assets has been recognised in relation to the deductible temporary difference and tax losses as it is not probable that taxable profit will be available against which the deductible temporary difference and tax losses can be utilised at the end of the reporting period (2017: Nil). The Group and the Company has tax losses of approximately RMB17,181,000 (2017: RMB20,952,000), which do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

23. Obligations under Finance Leases

	Minimum lease payment		Present value of minimum lease payment	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Within one year	**–**	1,453	**–**	1,314
More than one year and not more than five years	**–**	2,240	**–**	2,123
In the fifth year	**–**	–	**–**	–
	–	3,693	**–**	3,437
Less: Future finance charges	**–**	(256)	**–**	–
Present value of lease obligations	**–**	3,437	**–**	3,437
Less: Amount due within one year shown under current liabilities			**–**	(1,314)
Amount due after one year			**–**	2,123

The Group has leased the motor vehicles under finance leases in year ended 31 December 2017. The lease term is 3 to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranged 2% to 2.75% per annum. Obligations under finance leases are denominated in Hong Kong dollars.

The obligations under finance leases are secured by the lessor's charge over the leased motor vehicles and by corporate guarantees provided by the Company.

24. Borrowings

	2018	2017
	RMB'000	RMB'000
Borrowings – unsecured	**13,628**	–
	13,628	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

24. Borrowings *(Continued)*

	2018 **RMB'000**	2017 RMB'000
Carrying amount repayable:		
Within one year	**–**	–
More than one year, but not exceed two years	**13,628**	–
More than two years, but not more than five years	**–**	–
	13,628	–
Carrying amount of borrowings shown under current liabilities	**–**	–
Carrying amount of borrowings shown under non-current liabilities	**13,628**	–

Note:

Unsecured fixed rate borrowings and borrowings interest payable with an individual third party amounted to approximately RMB13,609,000 and RMB19,000 respectively for the year ended 31 December 2018. The effective interest rate on the fixed rate loan is 6% per annum.

25. Bonds Payable

	Non-listed bond maturity in 2021 RMB'000
As at 31 December 2017 and 1 January 2018	–
Issue of bonds	26,445
Interest charge	2,792
As at 31 December 2018	29,237
Current portion	–
Non-current portion	29,237

Note:

On 12 January 2018, the Company entered into a bonds agreement in the aggregate principal amount of HK$30,000,000 with the fixed interest rate of 11% per annum. The bonds will be matured and redeemed by the Company on 12 January 2021.

The bonds is unsecured and issued to an independent third party without any early redemption options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

26. Capital and Reserves

(a) Share capital

(i) Authorised and issued share capital

	Per value of each share HK$	Number of shares '000	Nominal value HK$'000
Authorised:			
1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	0.02	50,000,000	1,000,000

		2018			2017		
		Number of shares	Nominal value of ordinary shares		Number of shares	Nominal value of ordinary shares	
		'000	HK$'000	RMB'000	'000	HK$'000	RMB'000
Ordinary share, issued and fully paid:							
At 1 January		**2,146,520**	**42,931**	**36,184**	1,788,780	35,776	29,847
Issue of shares upon placing	(i)	**–**	**–**	**–**	357,740	7,155	6,337
At 31 December		**2,146,520**	**42,931**	**36,184**	2,146,520	42,931	36,184

The holders of ordinary shares are entitled to receive dividends of HK$0.02 each as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) On 24 February 2017, the Company completed the placing of 357,740,000 shares at the placing price of HK$0.125 per placing share under the general mandate. The Company received net proceeds of approximately HK$43,820,000 (equivalent to RMB38,816,000) from the placing. The Company was intended to apply the said net proceeds as to approximately HK$35,000,000 for further expanding the money lending business and approximately HK$8,820,000 for general working capital of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

26. Capital and Reserves *(Continued)*

(b) Nature and purpose

(i) Share premium

Share premium represents the share premium of the Company, the application of which is governed by the Companies Law of the Cayman Islands. Under the Companies Law (2000 revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reduction reserve

Pursuant to a special resolution passed on 15 July 2015, the issued share capital of the Company was be reduced by cancelling paid up capital to the extent of HK$0.099 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the "Issued Capital Reduction") from HK$0.10 each to HK$0.01 each; and the nominal value of all unissued shares in the authorised share capital of the Company was reduced (the "Authorised Capital Reduction") from HK$0.10 each to HK$0.01 each. Upon the Issued Capital Reduction and the Authorised Capital Reduction becoming effective, the authorised share capital of the Company was HK$1,000,000,000, divided into 1,000,000,000,000 ordinary shares of HK$0.001 each. The Issued Capital Reduction was completed on 16 October 2015.

(iii) Share-based compensation reserve

Share-based compensation reserve comprises the portion of the grant date fair value of unexercised share options granted to employees and other service providers of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3(m)(ii).

(iv) General fund reserve

According to the relevant laws and regulations in the PRC, the subsidiaries established in the PRC, is required to appropriate at least 10% of after-tax profit (after offsetting prior years' losses), based on the PRC statutory financial statements prepared in accordance with the generally accepted accounting principles and financial regulations applicable to the PRC enterprises, to a general fund reserve until the balance of the fund reaches 50% of its registered capital. Thereafter, any further appropriation can be made at the directors' discretion.

The general fund reserve can be utilised to offset the prior years' losses, or be utilised to increase the capital on the condition that the general fund reserve shall be maintained at a minimum of 25% of the registered capital after such increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

26. Capital and Reserves *(Continued)*

(b) Nature and purpose *(Continued)*

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(q).

(vi) Contributed surplus

The contributed surplus of the Company represents the difference between the aggregate nominal value of the share capital issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares.

Under the Companies Law (2000 Revision) of the Cayman Islands, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued capital account.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) cash and cash equivalents; and (ii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, raise new debt financing or sell assets to reduce debt.

The Group monitors its capital structure on the basis of gearing ratio. The Group's gearing ratio as at 31 December 2018 is 14.2% (2017: 9.1%), which is calculated by dividing total liabilities of approximately RMB61,129,000 (2017: RMB36,112,000) over the total assets of approximately RMB429,686,000 (2017: RMB398,004,000).

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

26. Capital and Reserves *(Continued)*

(d) Movements in components of equity

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

The Company

	Share capital RMB'000	Share premium RMB'000	Contribution surplus RMB'000	Warrants reserve RMB'000	Capital reduction reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017	29,847	325,164	56,774	1,263	495,170	34,568	58,469	(821,374)	179,881
Loss for the year	–	–	–	–	–	–	–	(3,411)	(3,411)
Other comprehensive loss for the year									
Exchange differences on other translating into presentation currency	–	–	–	–	–	–	(46,129)	–	(46,129)
Total comprehensive loss for the year	–	–	–	–	–	–	(46,129)	(3,411)	(49,540)
Issue of shares upon placing	6,337	33,271	–	–	–	–	–	–	39,608
Transaction cost in relation to issue of shares pursuant to placing	–	(792)	–	–	–	–	–	–	(792)
Release upon lapse of share options	–	–	–	–	–	(27,253)	–	27,253	–
Release upon lapse of warrants	–	–	–	(1,263)	–	–	–	1,263	–
At 31 December 2017 and 1 January 2018	36,184	357,643	56,774	–	495,170	7,315	12,340	(796,269)	169,157
Loss for the year	–	–	–	–	–	–	–	(19,038)	(19,038)
Other comprehensive loss for the year									
Exchange differences on other translating into presentation currency	–	–	–	–	–	–	33,287	–	33,287
Total comprehensive loss for the year	–	–	–	–	–	–	33,287	(19,038)	14,249
At 31 December 2018	36,184	357,643	56,774	–	495,170	7,315	45,627	(815,307)	183,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

27. Summarised Financial Information of the Company

	2018 **RMB'000**	2017 RMB'000
Non-current assets		
Plant and equipments	**11**	19
Investments in subsidiaries	**12,038**	12,038
	12,049	12,057
Current assets		
Other receivables, prepayments and deposits	**205,531**	159,962
Cash and bank balances	**260**	938
	205,791	160,900
Current liabilities		
Other payables	**5,197**	3,800
	5,197	3,800
Net current assets	**200,594**	157,100
Total assets less current liabilities	**212,643**	169,157
Non-current liabilities		
Bonds payable	**29,237**	–
	29,237	–
Net assets	**183,406**	169,157
Capital and reserves attributable to owners of the Company		
Share capital	**36,184**	36,184
Reserves	**147,222**	132,973
Total equity	**183,406**	169,157

The consolidated financial statements were approved and authorized for issue by the board of directors on 25 March 2019 and are signed on its behalf by:

Tsui Annie
Director

Wang Ziyi
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

28. Equity Settled Share-based Transactions

The Company has the New Scheme which was adopted on 24 September 2009 whereby the directors of the Company are authorised, at their discretion, to invite eligible participants of the Group, including the employees and directors of any company in the Group, to take up options at HK$10 consideration to subscribe for shares of the Company. The New Scheme remains in force for a period of 10 years from adoption of such scheme and expires on 23 September 2019. The exercise period of the share options granted is determined by the directors of the Company but not later than 10 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

The purpose of New Scheme is to provide incentives or rewards to the participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

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

The exercise price must be at least the highest of: (a) the nominal value of the Company's share on the date of grant; (b) the closing price of the Company's share as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; and (c) the average closing price of a share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors of the Company to each grantee of the option which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant. Unless otherwise determined by the Directors of the Company at their sole discretion, there is no requirement of a minimum period for which a share option must be held.

	Date of grant	Exercised price HK$	Number of share option outstanding at 1 January '000	Granted during the year '000	Exercise during the year '000	Lapsed/ cancelled/ forfeited during the year '000	Share consolidation '000	Adjustment during the year '000	Number of share options outstanding at 31 December '000
2018									
Eligible participants	11 November 2009	**59.03**	**161**	**–**	**–**	**–**	**–**	**–**	**161**
Weighted average exercise price			**59.03**	**–**	**–**	**–**	**–**	**–**	**59.03**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

28. Equity Settled Share-based Transactions *(Continued)*

	Date of grant	Exercised price HK$	Number of share option outstanding at 1 January '000	Granted during the year '000	Exercise during the year '000	Lapsed/ cancelled/ forfeited during the year '000	Share consolidation '000	Adjustment during the year '000	Number of share options outstanding at 31 December '000
2017									
Eligible participants	11 November 2009	59.03	161	–	–	–	–	–	161
	28 November 2013	4.56	11,886	–	–	(11,886)	–	–	–
	22 December 2016	0.16	178,000	–	–	(178,000)	–	–	–
			190,047	–	–	(189,886)	–	–	161
Weighted average exercise price			0.49	–	–	0.44	–	–	59.03

As at 31 December 2018, the weighted average remaining contractual life of the share option is 1 year (2017: 2 years).

During the year ended 31 December 2018, there were no share options granted (2017: nil) and no share options forfeited (2017: nil).

During the year ended 31 December 2018, there were no share options lapsed (2017: 189,886,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

29. Retirement Benefits Scheme

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap monthly relevant income of HK$30,000. Contributions to the scheme vest immediately.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

For the year ended 31 December 2018, the aggregate amount of the Group's contributions to the aforementioned schemes was approximately RMB102,000 (2017: RMB111,000) which was included in the staff costs.

30. Material Related Party Transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 9, is as follows:

	2018 **RMB'000**	2017 RMB'000
Short-term employees benefit	**1,987**	2,924
Retirement scheme contributions	**64**	76
Total	**2,051**	3,000

Total remuneration is included in "staff cost" (see note 7(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

31. Commitments

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

	2018	2017
	RMB'000	RMB'000
Within 1 year	**372**	942
After 1 year but within 5 years	**–**	392
	372	1,334

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one year with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

32. Financial Instruments

(a) Categories Of Financial Instruments

	2018	2017
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**381,419**	342,247
Available-for-sale financial assets	**–**	7,813
Financial assets at fair value through profit or loss	**3,886**	6,135
Financial assets at fair value through other comprehensive income	**7,505**	–
Financial liabilities		
Amortised cost	**59,884**	34,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values

Financial risk factors

The Group's financial assets include cash and cash equivalents, trade, loan receivables and other receivables, prepayments and deposits. The Group's financial liabilities include trade and other payables.

The Group does not have nor has issued financial instruments for trading purposes. Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(i) Credit risk

The Group's credit risk is primarily attributable to trade, loan and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group applies with simplified approach to provide for expected credit losses presented by IFRS 9, which permits the use of the lifetime expected credit loss provision for all loan receivables. To measure the expected credit losses, trade receivables and loan receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's loan receivables at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts. As at 31 December 2018, base on past experience, the directors of the Company are of the opinion that no provision for impairment on individual loans is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. The Group holds collateral against receivable and interest receivables in the form of mortgages over property. Majority of the collateral are residential, properties and all of the collaterals are located in Hong Kong. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(i) Credit risk (Continued)

Loan receivables

As at 1 January 2018	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Expected credit loss rate	1.30%	1.30%	1.30%	27.0%	2.32%
Gross carrying amount (RMB'000)	85,114	164,610	57,509	12,764	319,997
Lifetime ECL	(1,104)	(2,136)	(746)	(3,451)	(7,437)
	84,010	162,474	56,763	9,313	312,560

As at 31 December 2018	**Within 90 days**	**91 to 180 days**	**181 days to 1 year**	**Over 1 year**	**Overdue**	**Total**
Expected credit loss rate	**1.33%**	**1.33%**	**1.33%**	**9.30%**	**16.96%**	**2.93%**
Gross carrying amount (RMB'000)	**85,236**	**48,426**	**129,373**	**45,453**	**9,427**	**317,915**
Lifetime ECL	**(1,131)**	**(642)**	**(1,716)**	**(4,225)**	**(1,599)**	**(9,313)**
Exchange alignment	**(42)**	**(24)**	**(65)**	**(153)**	**(60)**	**(344)**
	84,063	**47,760**	**127,592**	**41,075**	**7,768**	**308,258**

Trade debtors

As at 1 January 2018	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Expected credit loss rate	0.56%	0%	0%	0%	0.54%
Gross carrying amount (RMB'000)	3,109	–	–	247	3,356
Lifetime ECL	(18)	–	–	–	(18)
	3,091	–	–	247	3,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(i) Credit risk (Continued)

As at 31 December, 2018	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Expected credit loss rate	1.41%	1.41%	0%	0%	1.42%
Gross carrying amount (RMB'000)	9,694	9,761	–	–	19,455
Lifetime ECL	(137)	(138)	–	–	(275)
	9,557	9,623	–	–	19,180

Other receivables

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(i) Credit risk (Continued)

Other receivables *(Continued)*

The movement of loss allowances for other receivables during the year are as follows:

	Other receivables RMB'000
At 31 December 2017	–
Amounts re-measured through opening – accumulated losses	181
At 1 January 2018	181
Allowance for doubtful debts	340
Exchange alignment	23
At 31 December 2018	544

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for approximately 64.0% (2017: approximately 100%) of the trade receivable and the largest trade receivable was approximately RMB3,265,000 (2017: RMB3,007,000) and was approximately 17.0% (2017: approximately 89.6%) of the Group's total trade receivables. The Group seeks to minimize its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

In relation to the Group's deposit with bank, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings are changed. As at 31 December 2018 and 2017, the Group has no significant concentration of credit risk in relation to deposit with bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(i) Credit risk (Continued)

Bank Balance

The credit risk on bank balances are limited because the majority of the counterparties are bank with high credit-ratings assigned by International credit-ratio agencies. The Group has no other significant concentration of credit risk.

(ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and other lenders to meet its liquidity requirements in the short and longer term.

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

	2018					
	Carrying Amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000
Trade and other payables	**17,019**	**17,019**	**17,019**	**–**	**–**	**–**
Borrowings	**13,628**	**15,236**	**817**	**14,419**	**–**	**–**
Bonds payable	**29,237**	**35,151**	**2,909**	**2,909**	**29,333**	**–**
	59,884	**67,406**	**20,745**	**17,328**	**29,333**	**–**

	2017					
	Carrying Amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000
Trade and other payables	31,553	31,553	31,553	–	–	–
Obligations under finance leases	3,437	3,693	1,453	1,103	1,137	–
	34,990	35,246	33,006	1,103	1,137	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(iii) Interest rate risk

Sensitivity analysis

At 31 December 2018 and 31 December 2017, the Group has no borrowing at variable interest rate and fixed interest rate that expire the Group's cash flow interest rate risk and fair value interest rate risk.

(iv) Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated in equity securities listed in Hong Kong industry sector quoted in The Stock Exchange of Hong Kong Limited for the year ended 31 December 2018. The directors of the Company will monitor the risks and consider hedging the risk exposure should the need arise.

(v) Currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

As most of the Group's monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant and the Group does not employ any financial instruments for hedging purposes.

(vi) Fair value of financial instrument

The fair values of financial assets and financial liabilities are determined as follows:

i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(vi) Fair value of financial instrument *(Continued)*

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2018 and 2017.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

At 31 December 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	3,886	–	–	3,886
Financial asset at fair value through other comprehensive income	–	–	7,505	7,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(vi) Fair value of financial instrument (Continued)

Financial assets	Fair value at	For value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss	31/12/18 RMB3,886,000	Level 1	Quoted bid prices in active market
Financial assets at fair value through other comprehensive income	31/12/18 RMB7,505,000	Level 3	Income approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

At 31 December 2017	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	6,135	–	–	6,135

Financial assets	Fair value at	For value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss	31/12/17 RMB6,135,000	Level 1	Quoted bid prices in active market

There were no transfer between Level 1, 2 and 3 in both years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

33. Accounting Estimates and Judgements

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Estimated impairment of trade and loan receivables

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

(b) Impairment for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation and amortisation

Plant and equipments are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with indefinite lives are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

33. Accounting Estimates and Judgements *(Continued)*

(d) Provision for income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, the management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(e) Impairment for goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill as at 31 December 2018 were RMB12,292,000 and RMB15,227,000 (2017: RMB11,661,000 and RMB22,775,000). Details of the impairment loss calculation are set out in note 14 and note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2018

34. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Obligations under finance lease RMB'000	Borrowings RMB'000	Bonds Payable RMB'000	Total RMB'000
At 1 January 2018	3,437	–	–	3,437
Accrued interest	117	19	2,792	2,928
Interest paid	(117)	–	–	(117)
Financing cash inflows	–	13,609	26,445	40,054
Financing cash outflows	(3,437)	–	–	(3,437)
At 31 December 2018	–	13,628	29,237	42,865

35. Authorisation for Issue of the Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 March 2019.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial year is set out below.

Consolidated results

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**74,676**	47,060	27,153	37,209	34,685
Loss before taxation	**(10,132)**	(63,476)	(117,545)	(166,165)	(12,040)
Taxation	**377**	(879)	(374)	(222)	(976)
Net loss from ordinary activities for the year	**(9,755)**	(64,355)	(117,919)	(166,387)	(13,016)
Attributable to:					
Owners of the Company	**(9,563)**	(60,996)	(84,021)	(92,671)	(12,625)
Non-controlling interests	**(192)**	(3,359)	(33,898)	(73,716)	(391)
	(9,755)	(64,355)	(117,919)	(166,387)	(13,016)

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**99,261**	63,446	103,808	168,538	306,085
Current assets	**330,425**	334,558	360,353	167,353	127,715
Current liabilities	**(18,264)**	(33,989)	(41,427)	(28,525)	(41,392)
Net current assets	**312,161**	300,569	318,926	138,828	86,323
Non-current liabilities	**(42,865)**	(2,123)	(5,132)	(2,437)	(1,970)
Net assets	**368,557**	361,892	417,602	304,929	390,438