STOCK CODE: 8088

AID LIFE SCIENCE

AID Life Science Holdings Limited

滙友生命科學控股有限公司*

Annual Report 2018

* For identification purpose only

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This report, for which the directors of 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 for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement in this report misleading.

Contents

Expressed in Hong Kong dollars ("HK$")

The Chinese version of this annual report is provided for reference only. In the event of any inconsistency between the Chinese and English versions, the English version shall prevail.

About
AID LIFE SCIENCE HOLDINGS LIMITED

AID Life Science Holdings Limited
(formerly known as Healthoo International Technology Holdings Limited) ("AID Life" or the "Company" and, together with its subsidiaries, the "Group") is a strategic investment group listed on GEM (stock code: 8088).

The Group is engaged in the business of strategic investment.

Management Discussion and Analysis

OVERVIEW

During the year under review, the Group continued to operate its strategic investment business with the following investments and disposals, with an objective to enhance the value of the Group, and hence maximise the return of the shareholders:

BUSINESS REVIEW

(A) Disposal of Investments

(i) Disposal of AID Partners Asset Management Limited ("AIDPAML")

AIDPAML is principally engaged in provision of investment advisory and asset management services.

On 8 January 2018, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Group has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued capital of AIDPAML, a wholly-owned subsidiary of the Group, for a cash consideration of approximately HK$5.9 million. The disposal of AIDPAML was completed on 5 September 2018. A gain on the disposal of AIDPAML of approximately HK$5.7 million was recognised in profit or loss during the year.

(B) Selective Existing Investment Portfolio

(i) Complete Star Limited ("CSL")

CSL is principally engaged in the operation of mobile games, the Star Girl franchise. Star Girl is a fashion role-playing game (RPG) targeting female users in which players create a virtual female celebrity and determine her career, appearance and social life while interacting with the game world and other players. The game has already been released to the market for over five years. Since its release, the game has accumulated a strong user base with over 100 million downloads globally. CSL is making continual improvements its portfolio of games including constant updates for new features such as seasonal and festival themes and holding fashion design contests to regularly attract installations and new users.

(ii) Honestway Global Group Limited ("HGGL")

HGGL and its subsidiaries (the "HGGL Group") are principally engaged in the development, distribution and operation of mobile games in the People's Republic of China (the "PRC"). Under the practice of new regulations, authorities have not approved any new game licenses since March of 2018, contributing to the slowest first half growth in China's games industry in many years. While looking for ways to reinforce its existing business, the management has decided to expand into few more sectors, including online Key Opinion Leaders ("KOLs") management, content creation and licensing businesses. During the year, HGGL Group has established a new multi-channel network business to diversify its distribution channels as well as closer collaboration with content providers. Some potential KOLs and talents are selected to join the group to create musical, dance, comedy, acting, lip-sync and other types of talent show videos in China. These contents will be distributed on online media platforms such as YouKu after editing and post-production processes. HGGL Group manages and develops new KOLs and will continue to create contents to distribute on YouTube and other video and live streaming platforms. This new business is expected to bring in revenue stream in 2019.

Management Discussion and Analysis

(iii) HMV Digital China Group Limited ("HMV Digit China")

HMV Digit China is principally engaged in the entertainment business, with a focus in television program and movie production, distribution, distribution licensing, cinema operation and management in both Hong Kong and the PRC and artist management. HMV Digit China intends to continue developing and streamlining its entertainment, movie production and distribution business to generate a synergistic effect with its existing lines of business. The company produced and release several successful movies in 2018, including "Agent Mr. Chan", recorded a domestic box office more than HK$44 million and won the top 10 highest box office films in Hong Kong during the first half of 2018. Dynasty Warriors, a movie version of the well-known video game franchise based on the famous novel "Romance of the Three Kingdoms", is in post-production stage.

(iv) Zoox Inc. ("Zoox")

Zoox is principally engaged in robotics and pioneering autonomous mobility-as-a-service. The company is developing a breakthrough, fully automated, electric vehicle fleet and the supporting ecosystem required to bring the service to market at scale. The company has the permit to test autonomous vehicles in California and has begun testing its self-driving technology with a human operator on the public roads of California.

Zoox has built a fleet of prototype vehicles, the prototype vehicles are being used for testing and validation before the company could commence production. It is expected that the first autonomous tests would occur in the first half of 2019. The company has named Aicha Evans as its new CEO as part of its strategy to accelerate the work on launching a self-driving ride-hailing service after the departure of the founding CEO. The company is still on track to deploy a fleet of fully autonomous vehicles in the second half of 2020.

In December 2018, Zoox secured a licence from the California Public Utilities Commission to participate in the state's Autonomous Vehicle Passenger Service pilot programme. The permit allows Zoox to carry passengers in its self-driving cars, a human safety driver will be in the vehicle at all times to respond to unexpected emergencies.

Management Discussion and Analysis

(v) Shenzhen Hooenergy Technology Company Limited* (深圳滙能新能源科技有限公司, "Hooenergy")

Hooenergy is engaged in the development and operation of electric vehicle ("EV") charging piles in the PRC. Hooenergy has established strategic collaboration with more than 30 of the top 50 property developers or management companies including AVIC Property, Poly Property, Changcheng Property, China Merchants Group, Kingkey Group and Rongchao Real Estate, 30% of which are exclusive. Hooenergy has built more than 6,600 chargers in China, mostly Shenzhen, and secured more than 100,000 parking spots in major cities such as Shenzhen, Guangzhou, Shanghai, Beijing, Chengdu, Changsha, Nanchang, Wuhan, Tianjin and Jinan. The growth in the business has been driven by the increasing consumer adoption of electric vehicles and use of charging piles. In January 2019, the number of subscribers exceeded 61,000. With continuous increase in number of installed charging piles and new offering of monthly charging plan to electric-taxis, a high average utilisation rate has been maintained at about 4%. The utilisation rate is based on actual charging time of an EV when parked and the availability of the parking space throughout the day, its management has so allowed a typical maximum utilisation rate of all charging piles in the range of 4% to 6%, and after taking into consideration of additional factors such as users experience. In 2018, Hooenergy has partnered with car rental companies and insurance companies to provide charging service and sell car insurance packages in its mobile application. The company also provides monthly charging plan to electric-taxis. As part of its plan to open at more locations and expand into advertising business, the company will continue to collaborate with more carpark operators, property management companies, as well as media and advertising companies.

(vi) GeneSort

GeneSort Ltd. ("GeneSort") is a company incorporated in Israel principally engaged in advanced personalised molecular diagnostic services for cancer evaluation and cure. GeneSort aims to harness cutting edge technologies to elucidate the genetic DNA profile of patients, with particular focus on cancer and hereditary diseases. Besides providing comprehensive genomic profiling tests for solid tumours, hematological cancer and hereditary cancers, GeneSort is also one of the few diagnostic companies in the world that aims to offer liquid biopsy for cancer diagnostics and prognosis monitoring utilising Next Generation Sequencing ("NGS") technology.

GeneSort is conducting research and development in advanced lung and colorectal focused gene panels for more efficient detection of tumors, in addition, it is also developing "minimal DNA" sample technology which requires less sample mass for analysis as opposed to prevalent technology. GeneSort also possesses a completely in-house bioinformatics system which applies computational methods to analyse large collections of biological data, such as genetic sequences and novel biomarkers to make new predictions for personalised diagnostics. A telegenetic counselling service for patients is also currently in development and expected to provide the service in the first half of 2019.

Management Discussion and Analysis

The Group will continue to engage in the business of strategic investment. As at the date of this report, as part of the strategic investment business of the Company, the Group continued to monitor and strive to maximise the value of its various strategic investments globally. The Group also leveraged on its investment in GeneSort to develop and expand its foothold in the health-technology sector.

The Group will continue to (i) seize good opportunities from the potential fast growing specialised industry of health-technology; (ii) monitor and maximise the value of its investments; and (iii) seek for potential strategic investment and divestment opportunities with the objective to enhance the return to its shareholders.

FINANCIAL REVIEW

Financial Results

As a result of the change of strategies coupled with the less favourable operating environment in the mobile game business of the Group, revenue for the year under review decreased to HK$19.3 million from HK$27.9 million for last year, while total operating expenses (being selling and distribution expenses, administrative expenses and other operating expenses) for the year under review increased to HK$167.9 million from HK$157.5 million for last year.

Fair value loss on financial assets at fair value through profit or loss of HK$576.9 million (31 December 2017: HK$18.1 million) was recognised for the year under review. The increase in loss was mainly attributable to significant increase in unrealised fair value loss in financial assets at fair value through profit or loss recognised mainly as a result of change in price of listed shares in HMV Digit China during the year under review.

A gain on the disposal of subsidiaries of approximately HK$9.8 million (31 December 2017: HK$30.9 million) was recognised in profit or loss for the year ended 31 December 2018.

Following the resignation of the Company's directors as the directors of HMV Digit China on 28 June 2017, the Group had no significant influence on HMV Digit China's financial and operating policies, a fair value loss of HK$286.9 million was recognised in profit or loss for the last year under review upon the reclassification of the Group's interest in HMV Digit China from interest in an associate to an investment, which was non-recurring, non-cash in nature and did not have any cash flow impact for the Group.

Other net income for the year under review decreased to HK$9.3 million from HK$51.2 million for last year, which was mainly due to no gain on deemed disposal of interest in an associate (31 December 2017: HK$31.8 million) was recognised for the year under review.

Finance costs for the year under review increased to HK$14.4 million from HK$13.5 million for last year, mainly represent the effective interest expense of convertible bonds of the Company with a principal amount of HK$140 million.

As a result, the Group reported a loss attributable to owners of the Company for the year under review of HK$765.3 million as compared to a loss of HK$420.3 million for last year.

Management Discussion and Analysis

Segment Results

The major reportable operating segments are asset management and strategic investment for the year under review. The segment result from asset management for the year under review was a gain of HK$4.8 million as compared with a loss of HK$2.4 million last year. The segment result from strategic investment for the year under review was a loss of HK$736.1 million as compared to a loss of HK$380.3 million last year, mainly due to the fair value loss on financial assets at fair value through profit or loss increased to HK$576.9 million from HK$18.1 million for last year. An analysis of the results by operating segments is provided in Note 5 to the financial statements.

Financial Position and Resources

Significant Capital Assets and Investments

Other than the significant investments disclosed in the section of "Management Discussion and Analysis — Business Review", the Group acquired property, plant and equipment totalling HK$2.4 million during the year under review which mainly represents the acquisition of plant and machinery used by GeneSort.

Liquidity

As at 31 December 2018, the Group had cash and bank balances of HK$40.5 million and net current assets of HK$90.5 million, increased from HK$35.4 million and decreased from HK$188.8 million as at 31 December 2017, respectively. The increase in cash and bank balances was mainly due to the disposals of investment in listed securities during the year under review. As at 31 December 2018 and 2017, the Group was in net cash position and hence no gearing ratio was presented. Further details of the Group's current assets and current liabilities, risk management objectives and policies and exposure to liquidity risk are set out in Notes 18 to 25 and 39 to the financial statements.

Gearing

2015 HK$140 million Convertible Bonds

In July 2015, the Company entered into a subscription agreement with Hong Kong HNA Holding Group Co. Limited ("HNA") pursuant to which HNA agreed to subscribe the convertible bond in principal amount of HK$140,000,000, bearing a compound interest rate of 8% per annum (the "2015 HK$140 million Convertible Bonds"). On 20 July 2015, with the fulfilment of all the conditions required for the 2015 HK$140 million Convertible Bonds, the Company issued the 2015 HK$140 million Convertible Bonds for the investment capital of the strategic investment business of the Company as well as for the expansion of its asset management business and related financial platform and general working capital of the Group. The terms and conditions of the 2015 HK$140 million Convertible Bonds are detailed in Note 26 to the financial statements. In accordance with the terms and conditions thereof, the adjusted conversion price is HK$6.5 per share after share consolidation became effective on 14 December 2018.

Save for disclosed in "Charges" below, as at 31 December 2018, the Group had no other significant debt.

Details of the Group's financial risk management objectives and policies and exposure to capital risk are set out in Note 39 to the financial statements.

Management Discussion and Analysis

Charges

On 14 July 2017, the Group entered into a facility agreement with an independent third party that provides a maximum facility of approximately HK$73 million, which is secured by listed securities held by the Group, maintained at a fee of 4.0% per annum and repayable in three years. On 19 November 2018, the loan at a carrying amount of HK$8,974,000 was settled by the secured shares to the lender, which has market value of HK$12,799,000 on the disposal date.

There are no significant charges on the Group's investments and assets as at 31 December 2018.

Commitments and Contingent Liabilities

As at 31 December 2018, the Group had no significant commitments, other than those under operating leases for the rental of land and buildings and the capital commitments as set out in Note 32 to the financial statements. The Group had no material contingent liabilities as at 31 December 2018.

Equity Structure

An analysis of the movements in equity during the year under review is set out in the consolidated statement of changes in equity on page 65 of the financial statements.

As at 31 December 2018, the total issued share capital of the Company was 540,232,005 ordinary shares, decreased from 10,707,140,110 ordinary shares as at 31 December 2017 due to Share Consolidation became effective on 14 December 2018 (see below). Details of the movements in share capital are set out in Note 28 to the financial statements.

On 13 November 2018, the Company proposed to implement the consolidation on the basis that every twenty (20) issued and unissued shares of the Company or redeemable convertible preference shares of the Company with par value of US$0.0001 each into one (1) consolidated share of the Company or consolidated redeemable convertible preference share of the Company with par value of US$0.002 each ("Share Consolidation"). The proposal was duly passed by the shareholders of the Company by way of ordinary resolution at the extraordinary general meeting of the Company convened on 13 December 2018 and became effective on 14 December 2018. Accordingly, the number of issued ordinary shares of the Company was reduced from 10,804,640,110 to 540,232,005. Further details of the Share Consolidation are set out in the Company's circular dated 23 November 2018.

Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the year under review.

Management Discussion and Analysis

As at 31 December 2018, the Company had 678,625 share options outstanding under the Company's 2002 Share Option Scheme of which were all exercisable.

As at 31 December 2018, the Company had 33,508,000 share options outstanding under the Company's 2014 Share Option Scheme of which were all exercisable. The Company can grant a further 127,923 options pursuant to the existing shareholder mandate limit.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had 81 full-time employees (2017: 106) across the entire Group. Employee remuneration (including directors' remuneration) totaled HK$27.4 million (2017: HK$58.5 million). The remuneration packages of the Group's Directors and employees are kept at a competitive level to attract, retain and motivate Directors and employees of the quality required to run the Group successfully. In general, remuneration consists of a combination of a fixed salary paid in cash and a performance linked bonus paid in cash and options. A portion of the bonus may be deferred subject to the achievement of certain pre-determined targets and conditions. The Group's remuneration policies and practices are reviewed annually and benchmarked against sectors of financial and banking institutions.

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes is set out in Note 3(o)(ii) to the financial statements.

FOREIGN CURRENCY EXPOSURE

Details of the Group's financial risk management objectives and policies and exposure to foreign currency risk are set out in Note 39 to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year under review, other than the significant investments and disposals as detailed in Notes 36 to 38 to the financial statements, the Group made no other significant acquisition or disposal of subsidiaries or affiliated companies.

CONTRACTUAL ARRANGEMENTS

The Group, through its wholly-owned subsidiary HGGL, indirectly owned a wholly-foreign-owned-enterprise, 深圳八零八八科技有限公司 ("WFOE" or "SZ8088"), which has entered into the corresponding contractual arrangements to control and operate a foreign restricted business, namely 上海威搜游科技有限公司 ("VSOYOU") under the relevant PRC laws and regulations (the "Contractual Arrangements").

PARTICULARS OF VSOYOU AND ITS REGISTERED OWNERS, AND A SUMMARY OF THE MAJOR TERMS OF THE CONTRACTUAL AGREEMENTS

VSOYOU is a company with limited liability established in the PRC, its registered owners are 張永鋒先生 (Mr. Zhang Yong Feng*) and 陳曉萍女士 (Ms. Chen Xiao Ping*). A summary of the major terms of the Contractual Arrangements has been published on the website of the Company.

Management Discussion and Analysis

DESCRIPTION OF VSOYOU'S BUSINESS ACTIVITIES AND THEIR SIGNIFICANCE TO THE GROUP

VSOYOU is primarily engaged in the development and operation of mobile-online games business in the PRC. The net asset value of VSOYOU was approximately HK$37,962,000 and HK$44,405,000 as at 31 December 2018 and 2017, respectively, which represents approximately 8.7% and 4% of the Group's net assets as at 31 December 2018 and 2017, respectively. The revenue of VSOYOU was approximately HK$13,039,000 and HK$17,823,000 for the year ended 31 December 2018 and 2017, respectively, which represents approximately 68% and 64% of the Group's revenue for the year ended 31 December 2018 and 2017, respectively. The net loss of VSOYOU was approximately HK$16,705,000 and HK$7,653,000 for the year ended 31 December 2018 and 2017, respectively.

REASON FOR USING THE CONTRACTUAL ARRANGEMENTS

As advised by the PRC legal adviser, VSOYOU is primarily engaged in the development and operation of mobile-online games business and is considered to be engaged in the provision of value-added telecommunication services and internet cultural business. Pursuant to the applicable PRC laws and regulations, the said business of VSOYOU is subject to prohibition on foreign investment. Shareholders of VSOYOU are required to be PRC domestic natural persons, enterprise legal persons or other social organisations and foreign investors are not allowed to directly invest in VSOYOU. As such, the Group cannot acquire the equity interest in VSOYOU at that time. Having regard to such foreign investment restrictions, the Contractual Arrangements were designed to provide WFOE and, thus the Group with effective control over the financial and operational policies of VSOYOU and (to the extent permitted by PRC laws and regulations) the right to acquire the equity interest in VSOYOU.

RISKS ASSOCIATED WITH THE CONTRACTUAL ARRANGEMENTS AND ACTIONS TAKEN BY THE COMPANY TO MITIGATE THE RISKS

WFOE does not have any direct equity ownership in VSOYOU and will have to rely on the Contractual Arrangements to control, operate, and be entitled to the economic benefits and risks arising from the value-added telecommunication services and internet cultural business in the PRC conducted through VSOYOU. However, there are risks involved with the operations of WFOE's business under the Contractual Arrangements, as the case may be.

(i) There is no assurance that the Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Contractual Arrangements do not comply with applicable regulations.

(ii) The Contractual Arrangements may not be as effective in providing control over and entitlement to the economic interests in VSOYOU as direct ownership.

(iii) Potential conflicts of interest among WFOE, VSOYOU and existing shareholder(s) of VSOYOU may exist.

(iv) The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed.

Management Discussion and Analysis

(v) WFOE's ability to acquire the entire equity interests in or assets of VSOYOU may be subject to various limitations and substantial costs.

(vi) Certain terms of the Contractual Arrangements may not be enforceable under the PRC laws.

In light of the above risks associated with the Contractual Arrangements, the Group has adopted a set of procedures, systems and internal control measures to ensure the sound and effective operation of the Group and the implementation of the Contractual Arrangements. Such procedures, systems and internal control measures include (i) regular discussions of matters relating to compliance and regulatory enquiries from governmental authorities, if any, by the board of directors of the Company at board meetings; and (ii) retaining legal adviser and/or other professional to assist the Group to deal with specific issues arising from the Contractual Arrangements, if so required.

MATERIAL CHANGE OR UNWINDING OF THE CONTRACTUAL ARRANGEMENTS

There was no material change or unwinding of the Contractual Arrangements since the date of the Contractual Arrangements were entered into up to the date of this report.

* For identification purpose only

Profiles of Directors

Mr. Wu King Shiu, Kelvin

Mr. Wu, aged 49, joined the Board in May 2014, and was appointed as the Chief Executive Officer and Executive Director. Mr. Wu was appointed as the Chairman of the Company and was re-designated from Chief Executive Officer to Chief Investment Officer on 16 March 2016. Mr. Wu was appointed as the Chief Executive Officer on 1 June 2018. Mr. Wu has resigned as the Chief Executive Officer and Chief Investment Officer and has been re-designed from Executive Director to Non-Executive Director of the Company since 4 February 2019. Mr. Wu remains as the Chairman of the Company and the chairman of Nomination Committee and a member of the Remuneration Committee of the Board. He also acts as director of certain subsidiaries of the Group. He has over 23 years of experience in the finance and investment industries. He is the co-founder and the principal partner of AID Partners Capital Limited. He is co-chairman of the board of i-Future Teens International Foundation Limited, a registered charitable organisation in Hong Kong. He was a director of ACT Co., Ltd., a company listed on KOSDAQ of the Korea Exchange (stock code: 138360). He was a non-executive director of HMV Digital China Group Limited (stock code: 8078), a company listed on the Stock Exchange and was formerly the director of board of Shunwei Capital Partners and the chief executive officer of Orange Sky Golden Harvest Entertainment (Holdings) Limited (stock code: 1132), a company listed on the Stock Exchange, one of the leading film entertainment companies in Asia, from 2009 to 2011 and the chief executive officer of Legendary East Ltd.. Prior to founding AID Partners Capital Limited, Mr. Wu was the president of Investec Asia Limited from 2005 to 2007, where he managed its direct investment business involving energy, consumer and finance related industries. Mr. Wu also worked for other investment banks, including as managing director of China Everbright Capital Ltd., head of corporate finance for Grand Cathay Securities (Hong Kong) Limited, director of corporate finance department of Core Pacific-Yamaichi Capital Limited and held senior position in BNP Prime Peregrine Capital Limited. Besides, Mr. Wu also served as chief operating officer of Sega.com Asia Networks Limited in year 2000.

Mr. Wu received his bachelor degree majored in business administration from The Chinese University of Hong Kong. He also has a post graduate diploma from Osaka University of Foreign Studies (Renamed Osaka University), Japan.

Ms. Chan Suet Ngan

Ms. Chan, aged 48, joined the Board in January 2018, and was appointed as an Executive Director. Ms. Chan was appointed as the Company Secretary of the Company in November 2013. Ms. Chan is currently the Authorised Representative, the Head of Finance and Company Secretariat of the Company and is responsible for overseeing the finance and accounting operations as well as compliance of policies, rules and procedures in relation to accounting matters of the Group. She also acts as director of certain subsidiaries of the Group. Ms. Chan possesses over 16 years experience in the fields of accounting, finance and company secretariat. Before joining the Company, she held senior position in the accounts and finance department in a listed company in Hong Kong.

She is a member of CPA Australia and is also a member of the Hong Kong Institute of Certified Public Accountants. She obtained her Bachelor of Commerce degree from the University of Auckland, New Zealand.

Mr. Hu Kenneth

Mr. Hu Kenneth, aged 32, joined the Board in January 2018, and was appointed as an Executive Director. He has served various key roles across several functions in the Group since joining the Group in 2015. Mr. Hu Kenneth has accumulated extensive experience and deep understanding in corporate strategy management, innovation management, financial and investment through these managerial roles within the Group.

Mr. Hu Kenneth obtained a Bachelor of Commerce degree from the University of Queensland, Australia.

Profiles of Directors

Ms. Qian Alexandra Gaochuan

Ms. Qian, aged 32, joined the Board in January 2018, and was appointed as an Executive Director, the Compliance Officer and the Authorised Representative. She joined the Group in 2015. She is currently the Head of Operations of the Company. She also acts as director of certain subsidiaries of the Group. She is the member of the board of director of i-Future Teens International Foundation Limited, a registered charitable organisation in Hong Kong.

Ms. Qian is a member of CPA Australia. She obtained a Bachelor of Business degree from RMIT University and a Master of Commerce degree from the University of Queensland, Australia.

Mr. Xu Haohao

Mr. Xu, aged 34, joined the Board in November 2016, and was appointed as a Non-Executive Director. Mr. Xu has extensive management knowledge and working experience in financial and corporate management. He is currently an executive director and a co-chairman of the board of CWT International Limited ("CWT"), which is listed on the Stock Exchange (stock code: 521), and a director of HY Energy Group Co., Ltd. (formerly known as Zhejiang Haiyue Co., Ltd.) (an A-Share listed company on the Shanghai Stock Exchange, stock code: 600387), which is under HNA Group Co., Ltd., a substantial shareholder of CWT within the meaning of part XV of the SFO. Mr. Xu is also acting as the chairman of nomination committee, executive committee and investment committee and a member of remuneration committee of CWT. Before joining CWT, he had served as the general manager of the finance department of Hong Kong Airlines Limited.

Mr. Xu obtained a bachelor degree in Financial Administration from University of Winnipeg, Canada.

Ms. Fong Janie

Ms. Fong, aged 52, joined the Board in November 2016, and was appointed as a Non-Executive Director. Mr. Fong was re-designated from a Non-Executive Director to an Independent Non-Executive Director on 1 June 2017. Ms. Fong is also a member of the Audit Committee of the Board. She is Managing Director of East West Bank, a post she has held since 2007. California-based East West Bank is a wholly-owned subsidiary of East West Bancorp, Inc., a publicly owned company in the United States of America. From 2000–2004, Ms. Fong was appointed by the California Governor to represent the State of California in Hong Kong and the PRC. Through her former post as California's Chief Representative, Ms. Fong was responsible for creating new economic, trade, and diplomatic ties between the PRC and the U.S.. Ms. Fong practiced law as a licensed California attorney up until 2000 and worked as an executive of Silicon Valley start-up companies from 1998–2000. Ms. Fong served on the Commission on Strategic Development of Hong Kong from 2005–2007. Ms. Fong is a member of the Harvard Kennedy School of Government's Women's Leadership Board and currently serves as: an Advisor to ChinaSF, the China Office of the City and County of San Francisco; a Member of The Hong Kong Chi Tung Association Limited; a Member of the Board of Governors of the Hong Kong-America Center, an Executive Committee Member of Hong Kong Tianjin Business and Professional Women Association, a member of The Hong Kong Federation of Women Lawyers Limited; and a member of the Asia Advisory Council of the University of California, Los Angeles (UCLA).

Profiles of Directors

Mr. Yuen Kwok On

Mr. Yuen, aged 53, joined the Board in July 2013, and was appointed as an Independent Non-Executive Director. Mr. Yuen is also the chairman of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee of the Board. He has extensive experience in financial analysis, risk control and mergers and acquisitions. Prior to joining the Company, Mr. Yuen was the chief financial officer and company secretary of Orange Sky Golden Harvest Entertainment (Holdings) Limited ("OSGH"). He joined OSGH in October 1996 and has in-depth knowledge of operations of film distribution and exhibition business. OSGH's shares are listed on the Main Board of the Stock Exchange (Stock code: 1132). From October 2015 to July 2017, he was an independent non-executive director of Mason Group Holdings Limited (Stock code: 273), which is listed on the Stock Exchange.

Mr. Yuen is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He obtained a master's degree of business administration from Hong Kong Baptist University.

Mr. Matsumoto Hitoshi

Mr. Matsumoto, aged 64, joined the Board in August 2017, and was appointed as an Independent Non-Executive Director. Mr. Matsumoto is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee of the Board. He has over 30 years of experience in the computer science field. He is the Executive Advisor of Fujitsu Laboratories of America, Inc. ("FLA"). He was formerly the Executive Fellow of FLA from 2011 to 2014, President & Chief Executive Officer of FLA from 2006 to 2011, Vice President of Internet Services Research and Business Development/Alliance of FLA from 2002 to 2006. He moved to Silicon Valley to conduct Multimedia & Internet services projects at Fujitsu Personal Systems, Inc in 1997. He joined Fujitsu Limited in Japan in April 1979.

Mr. Matsumoto received his bachelor degree in Applied Physics and master degree in Information Engineering from Nagoya University, Nagoya, Japan.

Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of the Group. The Group is principally engaged in the business of strategic investment. The principal activities of the Company's principal subsidiaries as at 31 December 2018 are set out in Note 41 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 59 to 192.

The Directors do not recommend the payment of a dividend for the year.

DIVIDEND POLICY

The Board considers stable dividend payment to the shareholders of the Company to be one of the main objectives of the Company. The declaration and payment of dividends of the Company shall be determined at the discretion of the Board and subject to all applicable laws and regulations in the Cayman Islands and Hong Kong and the Memorandum and Articles of Association of the Company.

The dividend policy adopted by the Company aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

When considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any final dividend for a financial year will be subject to shareholders' approval.

The Board will review the dividend policy and make any necessary amendments as appropriate from time to time.

Directors' Report

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 29 to the financial statements.

DISTRIBUTABLE RESERVE

Details of the movements in distributable reserve of the Group and the Company are set out in Note 29 to the financial statements.

CONVERTIBLE BONDS

Details of the movements in convertible bonds of the Company during the year are set out in Note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 193.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the years ended 31 December 2018 and 31 December 2017. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the years ended 31 December 2018 and 31 December 2017.

SHARE OPTION SCHEMES

Details of the Share Option Schemes are set out in Note 30 to the financial statements.

The Company's share option scheme which was adopted on 27 March 2002 (the "2002 Share Option Scheme") was expired and a new share option scheme (the "2014 Share Option Scheme") was adopted by an ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company on 15 April 2014 (the "Adoption Date"). The 2014 Share Option Scheme constitutes a share option scheme governed by Chapter 23 of the GEM Listing Rules and will remain in force for 10 years from the Adoption Date.

Upon the expiry of the 2002 Share Option Scheme, no further option can be offered thereunder but any options granted prior to such expiry but not yet exercised shall continue to be valid and exercisable.

Directors' Report

The Company operates both the 2002 Share Option Scheme and the 2014 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Pursuant to the 2014 Share Option Scheme, the directors of the Company may grant options to eligible participants persons (as defined in the 2014 Share Option Scheme) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

Summary of the 2014 Share Option Scheme disclosed in accordance with the GEM Listing Rules is as follows:

Purpose of the scheme

To encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Group attained through their efforts and contributions and to provide the participants with incentives and help the Group in retaining and recruiting talents.

Participants of the scheme

Eligible participant may be a person or an entity belonging to any of the following classes:

(a) any eligible employee (i.e. any employee of or any person who has accepted an offer of employment from (whether full time or part time employee, including any executive director but not any non-executive director) the Company, its subsidiaries and any entity in which the Group holds any equity interest (the "Invested Entity")) (the "Eligible Employee");

(b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity acting in their capacities as advisers or consultants to the Group or any Invested Entity; and

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the Directors having contributed or may contribute to the development and growth of the Group or any Invested Entity.

Directors' Report

Total number of shares available for issue under the 2014 Share Option Scheme and percentage of issued share capital as at the date of this report	As at the date of this report, the total number of shares available for allotment and issue under 2014 Share Option Scheme and previous share option scheme is, 34,193,021 Shares, representing approximately 6.33% of the Company's total number of issued shares as at the date of this report.
Maximum entitlement of each participant under the scheme	The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2014 Share Option Scheme (including both exercised and outstanding options) to each grantee in any 12–month period shall not exceed 1% of the issued share capital of the Company for the time being unless it is approved by shareholders at general meeting of the Company with such grantee and his associates abstaining from voting. Where any grant of share options to a substantial shareholder or an independent non-executive director or any of their respective associates, would result in the shares issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the 12–month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of shares at the date of each grant, in excess of HK$5 million; such further grant of options must be approved by shareholders at general meeting of the Company.
The period within which the shares must be taken up under an option	A period to be specified by the Directors and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the Directors.

Directors' Report

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	HK$10.00 is payable within 28 days from the date of offer in relation to the grant of the options.
The basis of determining the exercise price	The exercise price is determined by the Directors which must be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, which must be a trading day; and (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Share.
The remaining life of the scheme	The 2014 Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 15 April 2014.

Directors' Report

DONATIONS

During the year, HK$5,000 donation has been made (2017: HK$500,000).

DIRECTORS

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

Chairman and Non-Executive Director:

Wu King Shiu, Kelvin (Chairman) (re-designated from Executive Director on 4 February 2019)

Executive Directors:

Wu King Shiu, Kelvin (Chairman) (re-designated as Non-Executive Director on 4 February 2019)
Chan Suet Ngan
Hu Kenneth
Qian Alexandra Gaochuan

Non-Executive Directors:

Xu Haohao
Guo Qifei (resigned on 1 August 2018)

Independent Non-Executive Directors:

Fong Janie
Yuen Kwok On
Matsumoto Hitoshi

In accordance with article 87 of the Company's Articles of Association. Mr. Wu King Shiu, Kelvin, Mr. Matsumoto Hitoshi and Mr. Yuen Kwok On retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited ("the GEM Listing Rules"). The Company considers all of the Independent Non-Executive Directors are independent.

Directors' Report

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering themselves for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Company's Directors' remuneration are set out in Note 13(a) to the financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's or any of its subsidiaries was a party, and in which a Director or its connected entities had a material interest (whether directly or indirectly) subsisting at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(i) Interests in the ordinary shares of the Company (the "Share(s)")

Name of Directors	Personal interest	Corporate interest	Family interest	Aggregate long position in Shares	Approximate percentage of the issued share capital of the Company %
Mr. Wu King Shiu, Kelvin ("Mr. Wu") (Notes 1 and 2)	1,424,400	104,939,882	8,280,000	114,644,282	21.22
Ms. Chan Suet Ngan	19,850	–	–	19,850	0.003
Mr. Hu Kenneth (Note 3)	–	–	630,000	630,000	0.11
Ms. Qian Alexandra Gaochuan ("Ms. Qian") (Note 3)	630,000	–	–	630,000	0.11
Mr. Yuen Kwok On ("Mr. Yuen")	99,000	–	–	99,000	0.01

Notes:

1. Mr. Wu owns 1,424,400 Shares. Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited own 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares, respectively. Mr. Wu is deemed to have interests in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares of which Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited were deemed to be interested by virtue of the Securities and Future Ordinance (the "SFO") since Mr. Wu indirectly own 56% through Billion Power Management Limited, of the issued share capital of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P. ("AID Cap II"). AID Cap II is interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited.

2. Billion Express Consultants Limited ("Billion Express") owns 8,280,000 Shares. The entire issued share capital of Billion Express is wholly owned by HMV Asia Limited, which is in turn 65.62% beneficially owned by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the shares of the Company held by Billion Express.

3. Ms. Qian, the spouse of Mr. Hu Kenneth holds 630,000 Shares. Accordingly, Mr. Hu Kenneth is deemed to be interested in 630,000 Shares.

Directors' Report

(ii) Interests in the underlying Shares

Outstanding share options

Name of Directors	Date of grant price (dd/mm/yyyy)	Exercise price (Note 4) (HK$)	Exercise period (Notes)	Balance as at 1 January 2018	Grant during the year	Exercised during the year	Adjusted upon the Share Consolidation (Note 4)	Cancelled/ lapsed during the year	Balance as at 31 December 2018
Mr. Wu	20/06/2014	3.20	(1)	26,884,000	–	–	(25,539,800)	–	1,344,200
	01/04/2016	4.94	(2)	70,000,000	–	–	(66,500,000)	–	3,500,000
	19/05/2017	1.56	(3)	9,000,000	–	–	(8,550,000)	–	450,000
				105,884,000	–	–	(100,589,800)	–	5,294,200
Ms. Chan Suet Ngan	01/04/2016	4.94	(2)	4,000,000	–	–	(3,800,000)	–	200,000
	19/05/2017	1.56	(3)	12,000,000	–	–	(11,400,000)	–	600,000
				16,000,000	–	–	(15,200,000)	–	800,000
Mr. Hu Kenneth	01/04/2016	4.94	(2)	4,000,000	–	–	(3,800,000)	–	200,000
	19/05/2017	1.56	(3)	28,000,000	–	–	(26,600,000)	–	1,400,000
				32,000,000	–	–	(30,400,000)	–	1,600,000
Ms. Qian	01/04/2016	4.94	(2)	4,000,000	–	–	(3,800,000)	–	200,000
	19/05/2017	1.56	(3)	28,000,000	–	–	(26,600,000)	–	1,400,000
				32,000,000	–	–	(30,400,000)	–	1,600,000
Mr. Yuen	01/04/2016	4.94	(2)	3,000,000	–	–	(2,850,000)	–	150,000
	19/05/2017	1.56	(3)	2,000,000	–	–	(1,900,000)	–	100,000
				5,000,000	–	–	(4,750,000)	–	250,000
Ms. Fong Janie	01/04/2016	4.94	(2)	3,000,000	–	–	(2,850,000)	–	150,000
	19/05/2017	1.56	(3)	5,000,000	–	–	(4,750,000)	–	250,000
				8,000,000	–	–	(7,600,000)	–	400,000

Directors' Report

Notes:

(1) Exercisable from 20 June 2014 to 19 June 2024.

(2) Divided into two tranches exercisable from 1 October 2016 and 1 April 2017, respectively to 31 March 2026.

(3) Exercisable from 19 May 2017 to 18 May 2027.

(4) The exercise prices of the share option and the number of share options were adjusted for the Share Consolidation made by the Company on 14 December 2018.

(iii) Short positions

None of the Directors held short positions in the shares and underlying shares of the Company or any Associated Corporation.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had any interests and 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 SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2018, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Directors' Report

(i) Interests in the Shares and underlying Shares

Name	Aggregate long position in Shares	Aggregate long position in underlying shares	Approximate percentage of the issued share capital of the Company %
Substantial Shareholders			
Mr. Wu (Notes 1 and 5)	114,644,282	5,294,200	22.20%
Ms. Li Mau (Notes 1 and 5)	114,644,282	5,294,200	22.20%
Mr. Ho Gilbert Chi Hang ("Mr. Ho") (Notes 2 and 5)	104,953,082	5,317,100	20.41%
Mr. Chang Tat Joel ("Mr. Chang") (Notes 3 and 5)	104,939,882	2,067,100	19.80%
AID Cap II (Note 5)	104,939,882	–	19.42%
AID Partners GP2, Ltd. (Note 5)	104,939,882	–	19.42%
Hong Kong HNA Holding Group Co. Limited (Note 4)	66,141,232	21,538,461	16.23%
Mr. David Tin	45,454,400	–	8.41%
Billion Power Management Limited (Note 5)	104,939,882	–	19.42%
Elite Honour Investments Limited (Note 5)	104,939,882	–	19.42%
Genius Link Assets Management Limited (Note 5)	104,939,882	–	19.42%
Leader Fortune International Limited (Note 5)	104,939,882	–	19.42%
Abundant Star Ventures Limited (Note 5)	45,454,545	–	8.41%
Vantage Edge Limited (Note 5)	34,090,937	–	6.31%
Mr. Wong Kwok Ho ("Mr. Wong") (Notes 6 and 7)	27,683,200	19,125,000	8.66%
Ms. Chau Mui (Notes 6 and 7)	27,683,200	19,125,000	8.66%

Notes:

1. Mr. Wu, the Chairman and Non-Executive Director of the Company, owns 1,424,400 Shares and Billion Express owns 8,280,000 Shares. The entire issued share capital of Billion Express is wholly-owned by HMV Asia Limited, which is in turn 65.62% beneficially owned by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the shares of the Company held by Billion Express. Mr. Wu is interested in 1,344,200 share options, 3,500,000 share options and 450,000 share options at an exercise price of HK$3.20 per Share, HK$4.94 per Share and HK$1.56 per Share, respectively, to subscribe for Shares. Mr. Wu is deemed to have interest in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares as mentioned in note 5 below, respectively. Ms. Li Mau, as the spouse of Mr. Wu, is deemed to be interested in these Shares and underlying Shares for the purpose of the SFO.

2. Mr. Ho owns 13,200 Shares and is interested in 1,367,100 share options, 3,500,000 share options and 450,000 share options at an exercise price of HK$3.20 per Share, HK$4.94 per Share and HK$1.56 per Share, respectively, to subscribe for Shares. Mr. Ho is also deemed to have interest in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares as mentioned in note 5 below, respectively.

Directors' Report

3. Mr. Chang is interested in 1,367,100 share options, 250,000 share options and 450,000 share options at an exercise price of HK$3.20 per Share, HK$4.94 per Share and HK$1.56 per Share, respectively, to subscribe for Shares. Mr. Chang is also deemed to have interest in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares as mentioned in note 5 below, respectively.

4. Hong Kong HNA Holding Group Co. Limited is wholly-owned by HNA Financial Holdings International Co., Ltd. ("HNA Financial"). HNA Financial is wholly-owned by Beijing HNA Financial Holdings Co., Ltd. ("Beijing HNA"). Beijing HNA is owned as to 61.32% by HNA Investment Holding Co. Ltd. ("HNA Investment") and owned as to 37.74% by Hainan HNA Holding Co. Ltd. HNA Investment is owned as to 73.06% and Hainan HNA Holding Co., Ltd. is owned as to 51.38% by HNA Holding Group Co., Ltd., respectively. HNA Holding Group Co., Ltd. is wholly-owned by HNA Group Co., Ltd. and Hanian HNA Holding Co., Ltd. is owned as to 21.61% by HNA Group Co., Ltd. HNA Group Co., Ltd. is owned as to approximately 70% by Hainan Traffic Administration Holding Co., Ltd. ("Hainan Traffic"). Hainan Traffic is owned as to approximately 50% by Sheng Tang Development (Yangpu) Co., Limited ("Sheng Tang"). Sheng Tang is owned as to 35% by Tang Dynasty Development Co., Limited ("Tang Dynasty") and 65% by Hainan Province Chihang Foundation. Tang Dynasty is owned as to approximately 98% by Pan-American Aviation Holding Company, which is in turn 100% beneficially owned by Hainan Cihang Charity Foundation, Inc.

5. Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited own 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares. Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interest in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares of which Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited are deemed to have interests by virtue of the SFO since they indirectly own 56% through Billion Power Management Limited, 23% through Elite Honour Investments Limited and 21% through Genius Link Assets Management Limited, respectively, of the issued share capital of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Cap II. AID Cap II interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited.

6. Mr. Wong owns 16,839,200 Shares and is interested in 4,500,000 share options at an exercises price of HK$1.56 per Share to subscribe for Shares. Mr. Wong is deemed to be interested in 9,750,000 Shares and 14,625,000 underlying shares as mentioned in Note 7 below. Ms. Chau Mui, as the spouse of Mr. Wong, owns 1,094,000 Shares and is deemed to be interested in all Shares and underlying shares held by Mr. Wong.

7. Sky March Limited ("Sky March") entered into a consulting service agreement with the Company dated 5 May 2017 ("Consulting Service Agreement"), pursuant to which the Company has issued 97,500,000 Shares (4,875,000 Shares adjusted upon the Share Consolidation) and 97,500,000 Shares (4,875,000 Shares adjusted upon the Share Consolidation) to Sky March on 25 May 2017 and 28 May 2018, respectively, and 14,625,000 Shares will be issued to Sky March in accordance with the terms and conditions of the Consulting Service Agreement. Mr. Wong is interest in these shares and underlying shares through his 100% interest in Sky March.

(ii) Short positions

No person held short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Save as disclosed above, as at 31 December 2018, the Directors of the Company were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 31 December 2018, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

Directors' Report

COMPETING INTERESTS

So far as the Directors were aware, none of the other Directors or their respective associates were interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. We pursue this business approach by managing our business prudently and executing management decisions with due care and attention. We will continue to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to update the requirement of the relevant laws and regulations in various countries, particularly in Hong Kong and the PRC, applicable to the Group to ensure compliance. Substantially a majority of the Group's assets and revenue are located in and derived from Hong Kong and the PRC. During the year under review, the Group complied with the relevant laws and regulations in various countries applicable to it in all material respects.

MAJOR CLIENTS AND SUPPLIERS

During the year, approximately 76% of the Group's revenue and approximately 77% of the Group's cost of sales were attributable to the Group's five largest customers and five largest suppliers, respectively.

CONNECTED TRANSACTIONS

Except otherwise disclosed in the financial statements, the Group had no transactions incurred during the year which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

Details of related party transactions are set out in Note 31 to the financial statements.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2018, the Group had no advances outstanding which were non-trading in nature and exceeded 8% of the total assets of the Group as at 31 December 2018 which was required to be disclosed under Rule 17.18 of the GEM Listing Rules.

Directors' Report

FULL NAME AND QUALIFICATIONS OF COMPANY SECRETARY AND THE COMPLIANCE OFFICER

The Company Secretary of the Company is Chan Suet Ngan. She holds a bachelor's degree in commerce, major in accounting and finance. She is a member of CPA Australia and is also a member of the Hong Kong Institute of Certified Public Accountants.

The Compliance Officer of the Company is Qian Alexandra Gaochuan. She holds a Bachelor of Business degree from RMIT University and a Master of Commerce degree from the University of Queensland, Australia. She is a member of CPA Australia.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of these financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained sufficient public float throughout the year ended 31 December 2018.

AUDITOR

The financial statements for the year ended 31 December 2018 were audited by BDO Limited who will retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

For and on behalf of the Board
Wu King Shiu, Kelvin
Chairman
22 March 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2018, the Company has complied with the code provisions ("Code Provisions") as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules, except for the following deviations:

Code Provision A.2.1

Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual.

Mr. Wu, the Chairman of the Company, was appointed as the CEO of the Company. The Board believes that vesting the roles of both Chairman of the Board and CEO in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

On 4 February 2019, Mr. Wu has resigned as the CEO and the Chief Investment Officer and has been re-designed from Executive Director to Non-Executive Director. Mr. Wu remains as the Chairman of the Company and the chairman of Nomination Committee and a member of the Remuneration Committee of the Board. Up to the date of this report, the Company has not appointed CEO, and the role and function of the CEO have been performed by the three Executive Directors of the Company collectively.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiries of all Directors of the Company, the Company is satisfied that the Directors of the Company have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules, and with the Company's code of conduct regarding Directors' securities transactions.

BOARD OF DIRECTORS

Composition

As at the date of this report, the Board comprises eight Directors, of which three are Independent Non-Executive Directors, as follows:

Chairman and Non-Executive Director:
Wu King Shiu, Kelvin *(Chairman)*

Executive Directors:
Chan Suet Ngan
Hu Kenneth
Qian Alexandra Gaochuan

Non-Executive Director:
Xu Haohao

Independent Non-Executive Directors:
Fong Janie
Yuen Kwok On
Matsumoto Hitoshi

Corporate Governance Report

The biographies of the Directors are set out under the "Profiles of Directors" on pages 12 to 14, and are posted on the Company's website (www.8088inc.com).

The principal role of the Board is to provide strategic leadership to the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the Group's strategic aims, oversees the allocation of financial and human resources and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to shareholders and others are met and understood. The Board meets at least quarterly to review and discuss the Group's performance, strategy and business opportunities available. The Board also reviews and approves the Quarterly, Interim and Annual Reports of the Company. The Board has delegated the day-to-day running of the Group to the Executive Directors/Chief Executive Officer and the Group's management team. However, the Board retains responsibility for:

- Approving annual operating and capital expenditure budgets and any material changes to them;
- Approving the remuneration of the Directors (based on the recommendations of the Remuneration Committee);
- Approving the appointment of Directors (based on recommendations of the Nomination Committee);
- Approving the Quarterly, Interim and Annual Reports (based on recommendations of the Audit Committee);
- Approving any decision to cease to operate all or any material part of the business;
- Approving any changes relating to the Group's capital structure, including the reduction of capital, share issues and share buy backs; and
- Approval of dividend policy and declaration of interim and final dividends.

The Company has complied with Rules 5.05(1) and (2) of the GEM Listing Rules relating to the appointment of sufficient number of Independent Non-Executive Directors. An Independent Non-Executive Director has appropriate professional qualifications, or accounting or related financial management expertise.

The Company considers that each of its Independent Non-Executive Directors are independent in accordance with the guidelines for assessing independence set out in Rule 5.09 of the GEM Listing Rules.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

Corporate Governance Report

Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited own 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares, respectively. Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interests in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares of which Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited were deemed to be interested by virtue of the SFO since they indirectly own 56% through Billion Power Management Limited, 23% through Elite Honour Investments Limited and 21% through Genius Link Assets Management Limited, respectively, of the issued share capital of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P. ("AID Cap II"). AID Cap II is interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited.

Save as disclosed herein, the Company considers that there is no relationship (including financial, business, family or other material/relevant relationship) among the members of the Board.

Term of Appointment and Re-election

The Non-Executive Directors were appointed for fixed terms of one year and thereafter are terminable on three month's written notice from either party. Every Director is subject to retirement by rotation at least once every three years. All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment.

Training and Support for Directors

All the Directors, including Non-Executive Directors and Independent Non-Executive Directors, are briefed on regular basis to have a proper understanding of their collective responsibilities as Directors and of the operations and business of the Group. The Group assists in arranging professional development training to all the Directors to develop and refresh the Directors' knowledge and skills, and continuously updates all the Directors on latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

Corporate Governance Report

Board Meetings
There have been 7 meetings of the Board during the year.

Attendance of individual Directors at meetings of the Board held during the year was as follows:

	No. of board meetings attended
Wu King Shiu, Kelvin	6/7
Chan Suet Ngan (appointed on 1 January 2018)	7/7
Hu Kenneth (appointed on 1 January 2018)	7/7
Qian Alexandra Gaochuan (appointed on 1 January 2018)	7/7
Xu Haohao	5/7
Guo Qifei (resigned on 1 August 2018)	4/4
Fong Janie	4/7
Yuen Kwok On	6/7
Matsumoto Hitoshi	6/7

BOARD DIVERSITY POLICY

According to the board diversity policy (the "Board Diversity Policy") adopted by the Company, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy and will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness. The Nomination Committee will discuss any proposed revisions to the Board Diversity Policy and make recommendation on such revisions to the Board for consideration and approval as it sees fit.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Up to the date of this report, Mr. Wu King Shiu, Kelvin is the Chairman and Non-Executive Director of the Company. Following the step down of Mr. Wu from the office of Chief Executive Officer of the Company on 4 February 2019, the Board has not appointed an individual to take up the vacancy of Chief Executive Officer of the Company, and the role and function of the Chief Executive Officer have been performed by the three Executive Directors of the Company collectively.

Corporate Governance Report

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 11 August 2005. The Committee meets at least once a year. The terms of reference of the Remuneration Committee are posted on the Company's website (www.8088inc.com). The principal functions of the Remuneration Committee include: recommending to the Board the policy and structure for the remuneration of the Chairman, Executive Directors and senior management (as determined by the Board), determining the specific remuneration packages of the Chairman, Executive Directors and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to Chairman, Executive Directors and senior management, ensuring no Director is involved in deciding his or her own remuneration, and approving the service contracts of Directors. The Remuneration Committee also fulfils the role of an Options Committee for the Share Option Scheme and its main duty in this context is to approve the grant of options to relevant eligible participants.

The Remuneration Committee comprised a majority of Independent Non-Executive Directors, is chaired by Mr. Yuen Kwok On, and its membership includes Mr. Wu King Shiu, Kelvin and Mr. Matsumoto Hitoshi.

There was 1 Remuneration Committee meeting during the year.

Attendance of individual members at meetings of the Remuneration Committee held during the year was as follows:

	No. of remuneration committee meetings attended
Yuen Kwok On	1/1
Wu King Shiu, Kelvin	1/1
Matsumoto Hitoshi	0/1

The Remuneration Committee determined the specific remuneration packages of all the Executive Directors and senior management.

Corporate Governance Report

NOMINATION COMMITTEE AND NOMINATION OF DIRECTORS

The Company established a Nomination Committee on 11 August 2005. The terms of reference of the Nomination Committee are posted on the Company's website (www.8088inc.com). The principal function of the Nomination Committee is the consideration and nomination of candidates to fill casual vacancies to the Board.

The Company acknowledges that the diversification of the members of the Board has positive effects on enhancing the Group's performance. The Company sees the diversification of the members of the Board as an important supporting factor for the Group to achieve its strategic goal and maintain sustainable growth. In deciding the composition of the Board, the Company will consider the Board diversity from various perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All of our Directors are appointed according to the principle of meritocracy while all candidates are being selected objectively, and the benefit of Board diversity will also be taken into full consideration.

The Nomination Committee comprised a majority of Independent Non-Executive Directors, is chaired by Mr. Wu King Shiu, Kelvin and its membership includes Mr. Yuen Kwok On and Mr. Matsumoto Hitoshi.

There was 1 Nomination Committee meeting during the year.

Attendance of individual members at meetings of the Nomination Committee held during the year was as follows:

	No. of nomination committee meetings attended
Wu King Shiu, Kelvin	1/1
Yuen Kwok On	1/1
Matsumoto Hitoshi	1/1

NOMINATION POLICY

The key objectives of the nomination policy (the "Nomination Policy") of the Company include the following:

- set out the criteria and process in the nomination and appointment of directors of the Company;
- ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- ensure the Board continuity and appropriate leadership at Board level.

Corporate Governance Report

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee but the ultimate responsibility for selection and appointment of Directors of the Company rests with the entire Board.

In evaluating and selecting any candidate for directorship, the following criteria will be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Nomination Committee and/or the Board will evaluate the candidates based on the criteria as set out above to determine whether such candidates are qualified for directorship. The Nomination Committee will also consider recommendations for candidates made by shareholders of the Company.

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and this Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

— to guide the Board in relation to the appointment, re-appointment and removal of Directors;

— to devise criteria for performance evaluation of the Independent Non-Executive Directors (the "INED") and the Board as a whole; and

— to devise a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors.

Corporate Governance Report

The Nomination Committee will evaluate the integrity, qualification, expertise and experience of the candidates who are being considered for appointment or re-appointment as Director and ensure compliance with all applicable laws and regulations and the Listing Rules including any amendments thereto from time to time. The Nomination Committee shall also consider recommendations for candidates to the Board from shareholders of the Company.

Before making a recommendation to the Board, in assessing the suitability of a proposed candidate for appointment or re-appointment, the Nomination Committee will consider a number of factors, including but not limited to:

— reputation for character and integrity;

— accomplishment and professional knowledge and industry experience which may be relevant to the Company;

— commitment in respect of available time;

— merit and potential contributions that such candidate could bring to the Board with reference to the Board Diversity Policy (as defined above), including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, independence, skills, knowledge and length of service;

— in case of an INED candidate, to assess the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and

— current size and composition of the Board, the needs of the Board and the respective Board committees

The Company has devised a policy on Board diversity to ensure adequate diversity on its Board as the Board considers that diversity is an essential element for a successful and effective Board. Details of the policy on Board diversity are set out in the paragraph headed "Board Diversity Policy" above.

After the Nomination Committee makes its recommendation to the Board, the final decision on the appointment, re-appointment and removal on Directors rests with the Board. The Nomination Committee will monitor and review the Nomination Policy, as appropriate, to ensure its effectiveness from time to time. Any proposed changes to the Nomination Policy will be recommend to the Board for consideration and approval.

Corporate Governance Report

AUDIT COMMITTEE

The Company established an Audit Committee on 31 March 2000 with the written terms of reference. The terms of reference are available on the Company's website (www.8088inc.com). The Audit Committee comprises three Independent Non-Executive Directors, Mr. Yuen Kwok On (Chairman), Ms. Fong Janie and Mr. Matsumoto Hitoshi. The duties of the Audit Committee include: managing the relationship with the Group's external auditor, reviewing the financial information of the Company, and overseeing the Company's financial reporting process, risk management and internal control systems. The Audit Committee reports its work, findings and recommendations to the Board after each meeting.

The Audit Committee met 4 times during the year ended 31 December 2018.

Attendance of individual members at meetings of the Audit Committee during the year was as follows:

	No. of audit committee meetings attended
Yuen Kwok On	4/4
Fong Janie	3/4
Matsumoto Hitoshi	4/4

The Audit Committee has met with the Auditor and the Financial Controller during the year to review the 2017 Annual Report and the Quarterly Report for the quarters ended 31 March 2018 and 30 September 2018, and the Interim Report for the six months ended 30 June 2018. The Audit Committee has also met to review these annual figures and was satisfied with the outcome of its review.

The composition of the Audit Committee meets the requirements of Rule 5.28 of the GEM Listing Rules.

AUDITOR'S REMUNERATION

Auditor's remuneration in respect of audit and non-audit services provided by external auditor for the year ended 31 December 2018 amounted to HK$1,288,000 (2017: HK$1,276,000) and HK$245,000 (2017: HK$585,000) respectively. The non-audit services included the review of the Quarterly and Interim Reports of the Company during the year.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board recognises its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

Corporate Governance Report

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defense, business divisions are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the audit committee of the Company, with the professional advices and opinions from the external professional consultant by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defense are effective through constant inspection and monitoring.

In addition to the review of risk management and internal controls undertaken by the external professional consultants, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of the Board to ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investments and the Group's assets at all times. The Company has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

During the year, the Group has not set up internal audit department, however, it engaged an external professional consultant to review and assess its risk management and internal control systems and reported to the audit committee. The review covered several parts of the systems including risk management, and operational, financial and compliance controls.

The Board, through the audit committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2018 covering all material financial, operational and compliance functions, is of the view that the effectiveness of the risk management and internal control systems of the Group are considered as effective and adequate.

SHARE INTERESTS OF SENIOR MANAGEMENT

The number of shares held by senior management are set out in the Directors' Report on pages 22 to 24.

DIRECTORS' AND OFFICERS' INSURANCE

The Company arranges appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Corporate Governance Report

SHAREHOLDERS

The Board recognises its responsibility to represent the interest of all shareholders and to maximise shareholder value and this section of the Corporate Governance Report details the Group's policies and actions in this respect.

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding not less than one-tenth of the paid up share 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 Company Secretary, to require an Extraordinary General Meeting ("EGM") to be convened, stating the objects of the meeting, and deposited with our Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The meeting shall be held within two months after the deposit of such requisition.

The procedures for shareholders to put forward proposals at an Annual General Meeting ("AGM") or EGM require that a written notice of those proposals be submitted by the shareholders to the Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution.

Enquiries to be put to the Board should be made in writing and directed to the Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no change in the Company's constitutional documents.

The most recent shareholders meeting was as follows:

An extraordinary general meeting held at 7/F, Nexxus Building, 77 Des Voeux Road, Central, Hong Kong on Thursday, 13 December 2018 at 10:00 a.m. for approve the proposed share consolidation of every twenty (20) issued and unissued shares with par value of US$0.0001 each in the share capital of the Company into one (1) consolidated share with par value of US$0.002.

All the above resolutions received sufficient votes to be duly carried.

As at 31 December 2018, the public float capitalisation was approximately HK$58,824,000 and the number of issued shares on the public float, represents 66.39% of the outstanding issued share capital of the Company.

Environmental, Social and Governance Report

1. ABOUT THE REPORT

AID Life Science Holdings Limited and its subsidiaries (the "Group" or "we") are pleased to present its annual Environmental, Social and Governance Report (the "ESG Report") of the Group for Year 2018 in accordance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("HKEX") ("GEM Listing Rules") Rule 17.103 and the "Environmental, Social, and Governance Reporting Guide" (the "ESG Reporting Guide") as set out in the Appendix 20 to the GEM Listing Rules.

The scope of the ESG Report covers the environmental and social performances within the operational boundaries of the Group which is the strategic investment business in Hong Kong, spanning over the period from 1 January 2018 to 31 December 2018 (the "Reporting Period" or "FY2018").

As one of the renowned firms in the investment industry in Hong Kong, the Group attaches importance to integrating sustainable practices into the business operation. The purpose is to take the responsibility for its impact on society and the environment. The Group believes that this is the most effective way to create long-term value for shareholders and other stakeholders.

With reference to the ESG Reporting Guide and the Group's business operation, the presentation of our ESG Report divides the relevant aspects and key performance indicators ("KPI"), which are considered to be relevant and material to the Group, into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investments.

The Group is determined to be a responsible enterprise and is committed to perfecting its business and improving the local community. In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that our stakeholders concerned most.

We define our stakeholders as people who affect our business or who are affected by our business. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. In addition, we are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions.

We welcome and value each of your feedback. If you have any questions or suggestions regarding this ESG Report, please feel free to contact us at:

Address	22/F, New World Tower II 18 Queen's Road Central, Central, Hong Kong
E-mail	info@8088inc.com

Environmental, Social and Governance Report

2. ENVIRONMENTAL PROTECTION

2.1. Corporate Environmental Policy and Compliance

The Earth, our precious planet, is the most valuable asset for us. The Group endeavours to protect this planet and to build a sustainable future for our generations and their generations. The Group is committed to upholding high environmental standards to fulfil relevant requirements throughout our operation, and will continue to devote operating and financial resources on environmental compliance as required under applicable laws or ordinances.

As a company that is principally engaged in strategic investment, the Group does not have any air or water emissive facilities. Nevertheless, the Group is committed to actively minimising the impact on our environment and implementing different measures to optimise the workplace, continuing to address the environmental issues in relation to global warming, pollution, and biodiversity of the environment.

With the goal to reduce energy consumption and carbon emissions, the Group has formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas (“GHG”) emission, as well as discharge of domestic waste and sewage and other pollutants. We strictly comply with the environmental protection laws and regulation promulgated by the local government.

During the Reporting Period, the Group complied with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

Environmental, Social and Governance Report

2.2. Emission

2.2.1. Exhaust Gas and GHG Emissions

Due to our business nature, the Group does not generate significant amount of exhaust gas directly during its operation.

In daily operation and office administration, the Group generates GHG emissions indirectly through energy consumption. To properly manage our GHG emissions, the Group actively adopts electricity conservation and energy saving measures as well as other measures, including:

- Providing on-off and zoning control of lighting and ventilation system in the workplace according to the operation schedule;
- Installing LED lighting system in our workplace;
- Encouraging employees to switch off IT devices, such as computers and monitors when not in use;
- Maintaining indoor temperature at an optimal level for comfort;
- Checking and cleaning electrical appliances, such as refrigerator, air conditioning, ventilation and paper shredder regularly to ensure they are maintained at an efficient operating state; and
- Placing "Green Message" reminders on office equipment to further enhance employees' environmental awareness.

	Unit	FY2018
GHG Emissions	CO_2e (kg)	104,662
Energy indirect emission		22,638
Other indirect emission (business travel)		82,024

Environmental, Social and Governance Report

2.2.2. Waste Management

The Group adheres to the principles of waste management and is committed to a sound and proper management of all waste generated during our operation. The Group does not have any water emissive facilities. The wastes were limited to those ordinary solid refuse.

Hazardous Waste

The Group's business, by nature, does not directly produce hazardous waste throughout any part of activities.

Non-hazardous Waste

In our operation, the non-hazardous wastes generated are mainly domestic waste, among which, recyclable wastes, such as paper, will be recycled for reuse. Our waste management practice is compliant with laws and regulations relating to environmental protection. The Group has also implemented policies to reduce waste generation through environmental education, and re-usable utensils at the office, aiming at waste management from the source.

With respect to the wastewater management, the Group ensures all domestic sewage is discharged into the urban sewage pipe network for the proper sewage treatment.

The Group strives to maintain a high standard of requirement of waste reduction, actively encouraging its employee to appreciate the significance of sustainable development through continuous development in skills and knowledge.

The Group is committed to promote a paperless office environment, constantly encouraging all employee to "think before print" and to reduce paper usage through duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents.

Reusable paper products, such as envelopes, are properly recycled whereas the use of disposable paper products, such as paper cups and paper towels, are discouraged wherever possible and appropriate and to encourage use of re-usable alternatives during our operation.

Environmental, Social and Governance Report

2.3. Use of Resources

The Group considers the conservation of natural resources as an indispensable component of our sustainable business. Through actively promoting various environmentally friendly measures, we encourage an efficient use of resources, including energy, paper, water and other raw materials. As such, the Group has initiated policies to raise the awareness of electricity conservation and taken energy saving measures throughout our daily operation as elaborated in the Section 2.2. Emissions.

Water Consumption

With respect to water conservation, we encourage all employees and customers to develop the habit of conserving water consciously. Pantry and washrooms are posted with environmental messages to remind employee the importance and urgency of water conservation.

Apart from education, the utility facilities are maintained regularly for service, to ensure that water seepage or leaking pipelines are replaced or repaired on a timely basis.

Water supply was part of the building service and was not separately billed for usage; therefore no consumption statistics can be collected. Sourcing water, water efficiency initiatives are defined to be irrelevant to the Group's operation considering to the major business operation of the Group.

Packaging Material

Due to our business nature, the Group does not have manufacturing facilities and does not consume a significant amount of packaging materials.

Environmental Performance

In accordance with the ESG Reporting Guide set out by HKEX, our environmental performance of "Energy Use and Emissions" and "Resources Use" during the Reporting Period are tabulated below.

Table 3 — Energy and Resources Use

	Unit	FY2018
Electricity	kWh	25,624
Paper	Kg	499

The Group is committed to instilling the consciousness of resources conservation and environmental protection into the work and life of every employee. We seek business partners who also share with our philosophy and commitment to environment conservation and compliance with the applicable environmental laws and regulations. We believe that these initiatives are capable to reflect our commitment to offering the best quality of services while maintaining the least adverse environmental impact on our planet.

Environmental, Social and Governance Report

2.4. The Environment and Natural Resources

The Group is highly aware of on our adverse impact on the environment and natural resources, taking steps to minimise the negative footprint from our operations.

In addition to compliance with relevant environmental laws and regulations to properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operation with an objective of achieving environmental sustainability.

In the future, we will continue our commitment in environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a member of the community we all live in.

3. EMPLOYMENT AND LABOUR PRACTICES

3.1. Recruitment and Promotion

The Group fully understands that our business development is largely driven by the continued quality services delivered by our experienced and competent workforce. As such, it is therefore of paramount importance to proactively manage our talent pipeline and career development for employees. The Group is determined to set itself in a good position to maintain a robust business performance and growth together with our employees.

With an objective to uphold an open, fair, just and reasonable human resource policy, the Group has formulated the recruitment policy with respect to equal opportunities, diversity and anti-discrimination.

We encourage differences and individuality in employees, with the philosophy that diversity can bring new ideas, dynamics and challenges to our operations. We discourage all forms of discrimination on gender, age, family status, sexual orientation, disability, race and religion. Our employment policy encourages hiring of talented people with physical or mental disabilities. We are committed to supporting our employees to maintain a family-friendly work environment because we respect their roles and responsibilities in their families. We strive to make sure employees and business partners comply with laws and regulations, follow ethical business practices and respect equal opportunity in employment. We bring in new recruits and equip them with necessary skill sets to develop a long-term rewarding career with us.

During the Reporting Period, we continue to strictly observe the applicable laws and regulations and follow our employment policies relating to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, by providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, so as to recruit and retain experienced employees.

Environmental, Social and Governance Report

3.2. Employment and Labour

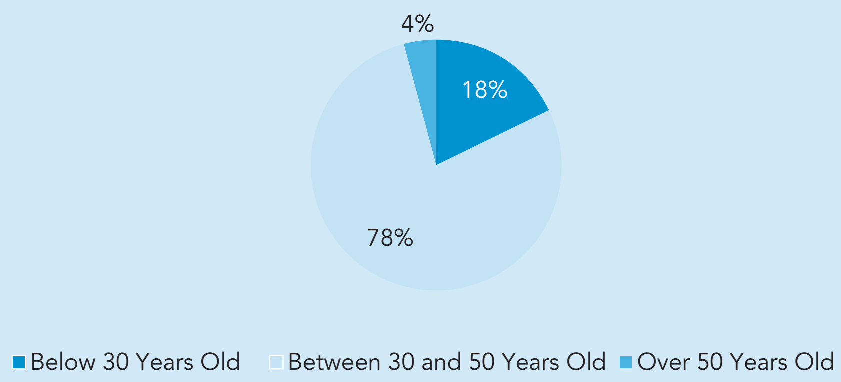
In Hong Kong, the Group complies with the Labour Law of Hong Kong and relevant employment laws and regulations during FY2018, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "EO") and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "ECO") by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees.

In accordance with the ESG Reporting Guide set out by HKEX, details of the Group's workforce during the reporting period are tabulated as well as presented in charts below.

Table 4 — Our Workforce

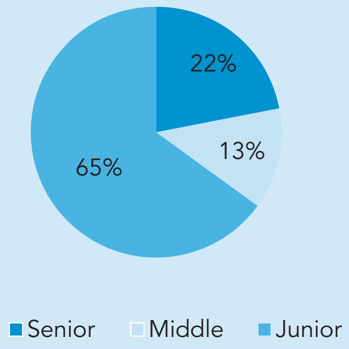
	FY2018
Total number of full-time employees	23
Turnover Rate by Gender	
Male	67%
Female	44%
Turnover Rate by Age	
Under 30 years old	64%
30–50 years old	15%
Over 50 years old	33%

Total Workforce by Age Group as of 31 December 2018

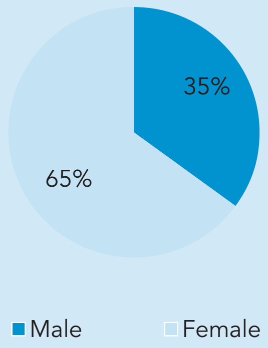


Environmental, Social and Governance Report

Total Workforce by Employment Level as of 31 December 2018



Total Workforce by Gender as of 31 December 2018



During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of human resources.

Environmental, Social and Governance Report

3.3. Health and Safety

The Group has been attaching great importance to a comfortable and safe working environment for our employees which protect them from potential occupational hazards and health and safety risks, in order to achieve zero tolerance of accidents and injuries.

As employees' health and safety is of paramount importance to the operation of the Group, the Group has accordingly formulated a series of relevant personnel management policy to provide employees with a healthy, positive and motivative working atmosphere.

The Group maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. We have taken the following measures:

- Maintaining air ventilation system in the office regularly;
- regular carpet disinfection;
- regularly participate in occupational health and safety related seminars;
- prohibiting smoking and abuse of alcohol and drugs in the workplace;
- providing clean and tidy rest area such as corridors and pantry;
- providing adjustable chairs and monitors for eye protection;
- setting up posters or warning labels for near areas of potential hazards in the office;
- conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency; and
- providing first aid kits and fire extinguishers in workplace in response to emergencies.

Additionally, the Group provides induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can.

The summary of work-related fatalities and injuries are summarized in the table below.

Table 5 — Health and Safety

	FY2018
Number of work-related fatalities	Nil
Work-related fatality rate	Nil
Number of injuries at work	Nil
Lost days due to injury at work	Nil

Environmental, Social and Governance Report

3.4. Development and Training

The Group envisions that empowering its people through development and training is the cornerstone of our success in the long-run. The Group listens and responds to our people. We encourage our staff members to take part in the recommended training and development courses or programmes, which were provided by third-party institutions. Those training programmes were carefully considered and recommended not only based on relevancy of the knowledge and skillset to the current needs of the Group's operation, but also the career development of our staff members.

Considering that each of the position is of unique professional and technical needs, the Group ensures that every new joiner receives proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly. The Group is committed to continuous training. We offer subsidies or reimbursement of the training cost of selected relevant courses, programmes and professional exams so as to ensure that our staff members possess the appropriate professional qualities and skill-sets. Implementation of safety training and comprehensive risk assessments are also one of the most important tasks in the Group.

Employees at all levels can satisfy their needs of training through various training and development programmes, including courses, conferences, seminars and/or further education programs such as one offered by reputable tertiary education institutions. The goal is to broaden the cross-section of knowledge and skillset among the staff members, which is expected to improve the Group's competitiveness. These training programs not only facilitate the career prospect of individual employee, but also boost the sustainable development of the Group.

The Group believes that such a corporate culture and harmonic working environment will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.

3.5. Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. New employees are required to provide true and accurate personal data when they are onboard. Recruiters should strictly review the entry documents including medical examination certificates, academic certificates and identity cards. The Group consciously selects suppliers and contractors in order to avoid the employment of any child labour or forced labour in the supply chain.

The Group strictly complies with the relevant laws and regulations, including the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong).

During the Reporting Period, no material non-compliance with the laws and regulations related to the prevention of child labour or forced labour have been found by the Group.

Environmental, Social and Governance Report

4. OPERATING PRACTICES

The Group is determined to disseminate the pursuit of sustainability into our core business which is regarded as part of the responsibility of an accountable corporate citizen. A series of management systems and procedures has been developed in alignment with the Corporate Governance required by the HKEX. Furthermore, the Group encourages all business partners to incorporate those sustainability practices and policies into their operation thoroughly in order to work together in our pursuit of sustainable development.

4.1. Supply Chain Management

The Group understands that supply chain management has always been one of the key aspects of the Group's operation. Our suppliers are mainly service provider. Our supply chain management team not only considers economic and commercial benefits during the tendering processes, but also evaluates the suppliers' and contractors' track record relating to legal and regulatory compliance which include safeguarding workers' health and safety, and mitigating environmental impacts.

In addition to purchasing products and services according to the specified standards, we have developed a vendor and supplier selection mechanism in which we require our potential suppliers to comply with all the applicable laws and regulations. The Group insists on choosing socially responsible supplier with specific local licenses; for instance, financial service providers must hold business licenses/certificates of the Hong Kong Securities and Futures Commission or other relevant institutions such as the Hong Kong Monetary Authority. To maintain a good corporate control and governance, the Group has developed a series of management system as and procedures in alignment with the Corporate Governance required by the HKEX. We are obliged to terminate the cooperation contract with suppliers that may cause or have caused serious legal violation.

We believe that, through the above review process, we can minimize the potential social risks associated with the supply chain management.

4.2 Product Responsibility

As there is no product or service offered by the Group, this section is not applicable to the Group's core operation.

Environmental, Social and Governance Report

4.3. Privacy Protection

The Group is committed to compliance with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Corporate Finance Consultant Code of Conduct and local laws, to ensure that all data are securely kept in our internal system with access control. The Group has separated the customer data from other ordinary information to protect customers' privacy. Meanwhile, the Group regulates that only authorised personnel can access the personal data collected from the Group's customers. Through the internal training and confidential agreements with employees, the Group emphasises confidentiality obligations and the legal consequences of the breaches of relevant rules.

4.4. Anti-corruption

Insisting on the honesty, integrity and fairness in all aspects of our business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group has developed a series of policies of anti-fraud and anti-bribery as part of the exercise of Corporate Governance.

The Group observed with related laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, such as the "Prevention of Bribery Ordinance of Hong Kong" (Chapter 201 of the laws of Hong Kong), the Criminal Law of the PRC (《中華人民共和國刑法》), and the Regulations of the PRC for Suppression of Corruption (《中華人民共和國懲治貪污條例》). During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded.

Under the Group's whistleblower policy, our employees may anonymously report any suspected or actual event of bribery and corruption to their supervisor or management of higher level, including to an appropriate Board committee or members, without the threat of dismissal or retaliation. The supervisors, managers and/or Board members who receive the reports will promptly act to investigate the issue. The whistleblower shall receive a report within five business days of the initial report, regarding the investigation of the issue.

If our employees have any concern in relation to accounting controls and audit matters, they may report to the Audit Committee as well. The Audit Committee will review each complaint and decide how the investigation should be conducted. During the Reporting Period, the Audit Committee identified no complaint from employees.

Environmental, Social and Governance Report

5. COMMUNITY INVESTMENT

The Group actively strives to making a better society through our active involvement in the community, putting the best effort in helping the local communities through voluntary services and donation programs.

During the Reporting Period, we have participated an event organised by Greeners Action, to support the promotion of environmental protection by encouraging donation of red pocket for re-use. We also joined the Community Chest Green Day 2018 and Community Chest Love Teeth Day 2018 to promote ta caring spirit for society through donation to Medical and Health Services welfare agencies. In November, the Group participated in the Lok Sin Tong Charity Walk 2018 and raised funds for Lok Sin Tong's medical, educational, elderly and social welfare services.

In the coming future, the Group will continue to attach great importance to community services, and will encourage our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

Independent Auditor's Report

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To the shareholders of AID Life Science Holdings Limited
(formerly known as Healthoo International Technology Holdings Limited)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of AID Life Science Holdings Limited (formerly known as Healthoo International Technology Holdings Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 59 to 192, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of 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 issued by the International Accounting Standards Board (the "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 (the "HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

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

Fair value measurement of financial instruments
Refer to note 19 to the consolidated financial statements.

As at 31 December 2017, the Group had an available-for-sale investment of HK$234,000,000, representing an unlisted investment in Zoox, Inc. ("Zoox") which was carried at cost less impairment. During the year ended 31 December 2018, with effect of IFRS 9 "Financial Instruments" on 1 January 2018, the investment in Zoox was classified as a financial asset at fair value through profit or loss. Management of the Group has engaged an independent valuer to assist in the determination of the fair value of the investment in Zoox and a fair value gain of HK$75,286,000 was recognised in profit or loss during the year ended 31 December 2018.

We consider this a key audit matter as the investment in Zoox is significant due to the size of the balance and the inherent management judgment involved in measuring the fair value of this investment.

Our response:

Our procedures in relation to the management's fair value measurement included:

— evaluating the competence, capability and objectivity of the independent valuer;

— assessing the appropriateness of the valuation methods applied;

— assessing the reasonableness of management's key assumptions based on the current operation environment and our knowledge of the business and industry; and

— assessing the appropriateness of the market data and the discount rates used in the valuation.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Impairment assessment of goodwill and other intangible assets

Refer to note 16 to the consolidated financial statements.

As at 31 December 2018, the Group had goodwill of HK$60,059,000 and other intangible assets of HK$46,419,000 (net of impairment).

Management has carried out impairment assessment in accordance with the Group's accounting policies and concluded that there was an impairment of HK$27,999,000 in respect of goodwill and HK$3,674,000 in respect of other intangible assets as set out in note 16 to the consolidated financial statements.

We consider this a key audit matter because the estimation of the recoverable amounts of the cash-generating units to which goodwill and other intangible assets belong involves significant judgments and assumptions.

Our response:

Our procedures in relation to management's impairment assessment included:

— assessing the appropriateness of the methodology for determination of the recoverable amounts;

— considering the reasonableness of key assumptions;

— assessing the reliability of management's forecast by comparing previous projections to actual results achieved;

— testing mathematical accuracy of the calculations; and

— considering the sensitivity of the valuation models to changes in key assumptions.

Independent Auditor's Report

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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

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

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

Independent Auditor's Report

AUDITOR'S 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with 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.

Independent Auditor's Report

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

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

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

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate no. P04434

Hong Kong, 22 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$'000	(Re-presented) 2017 HK$'000
Continuing operations			
Revenue	6	**19,261**	27,939
Cost of sales		**(13,239)**	(18,554)
Gross profit		**6,022**	9,385
Fair value loss on financial assets at fair value through profit or loss, net	19	**(576,885)**	(18,137)
Gain on disposal of subsidiaries	37	**4,084**	30,934
Loss on reclassification of interest in an associate to financial asset at fair value through profit or loss	17(b)	**–**	(286,925)
Other net income	7	**9,292**	51,151
Selling and distribution expenses		**(637)**	(4,423)
Administrative expenses			
Depreciation of property, plant and equipment	14	**(2,616)**	(1,392)
Amortisation of intangible assets	16	**(18,035)**	(19,229)
Other administrative expenses		**(89,810)**	(126,053)
		(110,461)	(146,674)
Impairment of an available-for-sale investment	15(e)	**–**	(1,560)
Impairment of goodwill	16	**(27,999)**	(27,900)
Impairment of other intangible assets	16	**(3,674)**	(17,658)
Other operating expenses		**(55,900)**	(3,984)
Loss from operations		**(756,158)**	(415,791)
Finance costs	8	**(14,379)**	(13,493)
Share of results of an associate, net of tax	17	**–**	(2,313)
Loss before taxation	9	**(770,537)**	(431,597)
Taxation credit	10	**1,418**	6,063
Loss for the year from continuing operations		**(769,119)**	(425,534)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$'000	(Re-presented) 2017 HK$'000
Discontinued operations			
Profit/(Loss) for the year from discontinued operations	11	**4,800**	(2,439)
Loss for the year		**(764,319)**	(427,973)
Attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(770,060)**	(417,894)
Profit/(Loss) for the year from discontinued operations		**4,800**	(2,439)
		(765,260)	(420,333)
Non-controlling interests			
Profit/(Loss) for the year from continuing operations		**941**	(7,640)
Result for the year from discontinued operations		**–**	–
		941	(7,640)
Loss for the year		**(764,319)**	(427,973)
		HK cents	(Restated) HK cents
Loss per share from continuing and discontinued operations	12		
— Basic		**(142.17)**	(84.39)
— Diluted		**N/A**	N/A
Loss per share from continuing operations	12		
— Basic		**(143.06)**	(83.90)
— Diluted		**N/A**	N/A

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Loss for the year		**(764,319)**	(427,973)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale investments		**–**	(4,436)
Reclassification adjustment on impairment of available-for-sale investments	15	**–**	1,560
Exchange differences on translation of foreign operations		**(1,640)**	3,685
Share of other comprehensive income of an associate		**–**	297
Reclassification to profit or loss on derecognition of interest in an associate		**–**	899
Other comprehensive income for the year, net of tax		**(1,640)**	2,005
Total comprehensive income for the year		**(765,959)**	(425,968)
Attributable to:			
Owners of the Company		**(767,469)**	(418,184)
Non-controlling interests		**1,510**	(7,784)
Total comprehensive income for the year		**(765,959)**	(425,968)

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**19,715**	20,912
Available-for-sale investments	15	**–**	962,883
Intangible assets	16	**106,478**	151,152
Other receivables	22	**5,883**	–
Investments in convertible bonds	18	**–**	41,332
Financial assets at fair value through profit or loss	19	**405,400**	15,557
		537,476	1,191,836
Current assets			
Inventories	20	**–**	450
Contract assets	21(a)	**4,525**	–
Trade and other receivables	22	**29,768**	134,040
Investments in convertible bonds	18	**–**	19,056
Financial assets at fair value through profit or loss	19	**36,638**	18,122
Tax recoverable		**288**	486
Cash and cash equivalents	23	**40,538**	35,358
		111,757	207,512
Current liabilities			
Contract liabilities	21(b)	**2,132**	–
Trade and other payables	24	**17,802**	18,671
Borrowings	25	**1,037**	–
Tax payable		**301**	–
		21,272	18,671
Net current assets		**90,485**	188,841
Total assets less current liabilities		**627,961**	1,380,677

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Non-current liabilities			
Borrowings	25	**–**	9,033
Convertible bonds	26	**181,825**	167,742
Deferred tax liabilities	27	**10,546**	12,246
		192,371	189,021
Net assets		**435,590**	1,191,656
EQUITY			
Share capital	28	**8,428**	8,352
Reserves	29	**369,039**	1,131,470
Equity attributable to owners of the Company		**377,467**	1,139,822
Non-controlling interests		**58,123**	51,834
Total equity		**435,590**	1,191,656

The consolidated financial statements on pages 59 to 192 were approved and authorised for issue by the board of directors on 22 March 2019 and are signed on its behalf by :

Wu King Shiu, Kelvin
Director

Chan Suet Ngan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Total equity attributable to owners of the Company														Non-controlling interests	Total equity
	Share capital	*Share premium	*Capital reduction reserve	*Convertible bonds equity reserve	*Capital reserve	*Capital redemption reserve	*Share-based compensation reserve	*Remuneration share reserve	*Investment revaluation reserve	*Foreign exchange reserve	*Other reserve	*Statutory surplus reserve	*Accumulated losses	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2017	722,094	802,660	–	1,921	2,112	601	49,355	–	(962)	(4,902)	(21,619)	4,931	(88,554)	1,467,637	48,280	1,515,917
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	(420,333)	(420,333)	(7,640)	(427,973)
Other comprehensive income:																
Changes in fair value of available-for-sale investments	–	–	–	–	–	–	–	–	(4,436)	–	–	–	–	(4,436)	–	(4,436)
Reclassification adjustment on impairment of available-for-sale investments	–	–	–	–	–	–	–	–	1,560	–	–	–	–	1,560	–	1,560
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	3,829	–	–	–	3,829	(144)	3,685
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	–	76	221	–	–	–	297	–	297
Reclassification to profit or loss on derecognition of interest in an associate	–	–	–	–	–	–	–	–	886	13	–	–	–	899	–	899
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(1,914)	4,063	–	–	(420,333)	(418,184)	(7,784)	(425,968)
Share-based compensation	–	–	–	–	–	–	15,759	–	–	–	–	–	–	15,759	–	15,759
Remuneration shares issued for consultancy service (Note 28(a))	7,605	(1,657)	–	–	–	–	–	7,820	–	–	–	–	–	13,768	–	13,768
Issue of consideration shares for acquisition of subsidiaries (Note 28(b))	105,458	(44,616)	–	–	–	–	–	–	–	–	–	–	–	60,842	–	60,842
Non-controlling interests arising from business combination (Note 38)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	11,338	11,338
Lapse of share options	–	–	–	–	–	–	(2,949)	–	–	–	–	–	2,949	–	–	–
Capital reduction (Note 28(c))	(826,805)	–	702,955	–	–	–	–	–	–	–	–	–	123,850	–	–	–
Transfer to statutory surplus reserve	–	–	–	–	–	–	–	–	–	–	–	232	(232)	–	–	–
As at 31 December 2017	8,352	756,387	702,955	1,921	2,112	601	62,165	7,820	(2,876)	(839)	(21,619)	5,163	(382,320)	1,139,822	51,834	1,191,656

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Total equity attributable to owners of the Company														Non-controlling interests	Total equity
	Share capital HK$'000	*Share premium HK$'000	*Capital reduction reserve HK$'000	*Convertible bonds equity reserve HK$'000	*Capital reserve HK$'000	*Capital redemption reserve HK$'000	*Share-based compensation reserve HK$'000	*Remuneration share reserve HK$'000	*Investment revaluation reserve HK$'000	*Foreign exchange reserve HK$'000	*Other reserve HK$'000	*Statutory surplus reserve HK$'000	*Accumulated losses HK$'000	Total HK$'000	HK$'000	HK$'000
As at 1 January 2018 as originally presented	8,352	756,387	702,955	1,921	2,112	601	62,165	7,820	(2,876)	(839)	(21,619)	5,163	(382,320)	1,139,822	51,834	1,191,656
Impact on initial application of IFRS 9 (Note 2)	-	-	-	-	-	-	-	-	2,876	-	-	-	(7,109)	(4,233)	-	(4,233)
As at 1 January 2018 (Restated)	8,352	756,387	702,955	1,921	2,112	601	62,165	7,820	-	(839)	(21,619)	5,163	(389,429)	1,135,589	51,834	1,187,423
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	(765,260)	(765,260)	941	(764,319)
Other comprehensive income: Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(2,209)	-	-	-	(2,209)	569	(1,640)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	(2,209)	-	-	(765,260)	(767,469)	1,510	(765,959)
Remuneration shares issued for consultancy service (Note 28(a))	76	5,870	-	-	-	-	-	2,580	-	-	-	-	-	8,526	-	8,526
Lapse of share options	-	-	-	-	-	-	(5,006)	-	-	-	-	-	5,006	-	-	-
Disposal of interests in subsidiaries without loss of control (Note 36)	-	-	-	-	-	-	-	-	-	-	821	-	-	821	4,779	5,600
As at 31 December 2018	8,428	762,257	702,955	1,921	2,112	601	57,159	10,400	-	(3,048)	(20,798)	5,163	(1,149,683)	377,467	58,123	435,590

* As at 31 December 2018, the total of these reserves amounts to an accumulated surplus of HK$369,039,000 (31 December 2017: HK$1,131,470,000).

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash used in operations	34	**(64,764)**	(74,836)
Tax refunded/(paid)		**144**	(323)
Net cash used in operating activities		**(64,620)**	(75,159)
Cash flows from investing activities			
Acquisition of GeneSort Group, net of cash	38	**–**	(21,298)
Interest income received		**1,068**	9,370
Investments in financial assets at fair value through profit or loss		**(19,438)**	(71,319)
Investments in available-for-sale investments	15	**–**	(13,976)
Purchase of property, plant and equipment		**(2,434)**	(9,200)
Purchase of intangible assets		**–**	(12,575)
Proceeds from disposals of property, plant and equipment		**3**	29
Loan repayment from a subsidiary of an investee company		**27,391**	–
Loan repayment from independent third parties		**32,370**	–
Disposal of subsidiaries, net of cash	37	**8,620**	(9,048)
Proceeds from disposal of an available-for-sale investment		**–**	1,244
Proceeds from disposal of financial assets at fair value through profit or loss		**26,463**	8,103
Decrease in bank deposits with maturity more than three months		**–**	23,262
Net cash generated from/(used in) investing activities		**74,043**	(95,408)
Cash flows from financing activities			
Proceeds from borrowings		**1,037**	8,895
Interests paid on convertible bonds		**–**	(16,525)
Interests paid on borrowings		**(355)**	(356)
Net cash generated from/(used in) financing activities		**682**	(7,986)
Net increase/(decrease) in cash and cash equivalents		**10,105**	(178,553)
Cash and cash equivalents as at 1 January		**35,358**	211,309
Effect of exchange rate changes on cash and cash equivalents		**(4,925)**	2,602
Cash and cash equivalents as at 31 December	23	**40,538**	35,358

Notes to the Financial Statements

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 February 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000. The Company and its subsidiaries are together referred to as the Group hereinafter.

Pursuant to a special resolution duly passed at the extraordinary general meeting of the Company held on 7 May 2018, together with the approval of the Registrar of Companies in the Cayman Islands on 9 May 2018 and the approval of Registrar of Companies in Hong Kong on 12 June 2018, the name of the Company has been changed from "Healthoo International Technology Holdings Limited (海滙國際科技控股有限公司)" to "AID Life Science Holdings Limited (滙友生命科學控股有限公司)" with effect from 9 May 2018.

The Company acts as the holding company of the Group. The Group is principally engaged in the business of strategic investment.

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

The financial statements for the year ended 31 December 2018 were approved by the board of directors (the "Directors") and authorised for issue on 22 March 2019.

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs

(a) Adoption of new or revised IFRSs — effective from 1 January 2018

The Group applied the following new standards, amendments and interpretations, which are relevant to, and effective, for the consolidated financial statements for the annual period beginning on 1 January 2018:

Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IAS 28 "Investments in Associates and Joint Ventures"
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to IFRSs 2014-2016 Cycle — Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to IFRSs 2014-2016 Cycle — Amendments to IAS 28 "Investments in Associates and Joint Ventures"

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 28 "Investments in Associates and Joint Ventures", clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2018 (continued)

Amendments to IFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of the amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

IFRS 9 — Financial Instruments

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

The following table summarised the impact, net of tax, of transition to IFRS 9 on the opening balance of accumulated losses and investment revaluation reserve as at 1 January 2018 as follows (increase/(decrease)):

	HK$'000
Accumulated losses	
Transferred from investment revaluation reserve for financial assets now measured at fair value through profit or loss ("FVTPL")	2,876
Reclassification of investments in convertible bonds now measured at FVTPL	4,233
Change in accumulated losses as at 1 January 2018	7,109
Investment revaluation reserve	
Transferred to accumulated losses for financial assets now measured at FVTPL	(2,876)
Change in investment revaluation reserve as at 1 January 2018	(2,876)

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2018 (continued)

IFRS 9 — Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities

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

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

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

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

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

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2018 (continued)

IFRS 9 — Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified as at amortised cost or FVTOCI as described above are classified as at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVTOCI (debt instruments)	Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVTOCI (equity instruments)	Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2018 (continued)

IFRS 9 — Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

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

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 January 2018 under IAS 39 HK$'000	Carrying amount as at 1 January 2018 under IFRS 9 HK$'000
Investments in convertible bonds (Note (a))	Loans and receivables	FVTPL/ Amortised cost	60,388	71,712
Derivative embedded in the convertible bonds (Note (a))	FVTPL	N/A	15,557	N/A
Equity securities not held for trading (Note (b))	Available-for-sale investments	FVTPL	962,883	962,883
Trade and other receivables (Note (c))	Loans and receivables	Amortised cost	134,040	119,587
Cash and cash equivalents	Loans and receivables	Amortised cost	35,358	35,358
Bond investments	FVTPL	FVTPL	15,782	15,782
Derivative financial instruments	FVTPL	FVTPL	2,340	2,340

Notes:

(a) As at 31 December 2017, investments in convertible bonds were split into debt component of HK$60,388,000, which was classified as loans and receivables; and derivative component of HK$15,557,000, which was classified as financial assets at FVTPL, under IAS 39.

As at 1 January 2018, investment in convertible bonds of HMV Digit China amounted to HK$56,889,000 consisted of both debt component of HK$41,332,000 and derivative component of HK$15,557,000 were reclassified as financial assets at FVTPL (Note 19 (iii)) in their entirety based on the business model and contractual cash flow characteristics. The difference amounted to HK$4,233,000 between the previous net carrying amount of HK$56,889,000 and the fair value of HK$52,656,000 was recognised in accumulated losses as at 1 January 2018.

As at 1 January 2018, investment in convertible bonds of Brave Entertainment amounted to HK$19,056,000 consisted of only the debt component and was reclassified as a loan receivable measured at amortised cost in other receivables (Note 22(b)(v)).

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2018 (continued)

IFRS 9 — Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Notes: (continued)

(b) As at 1 January 2018, equity investments in listed securities of HK$707,603,000 were classified from available-for-sale investments to financial assets at FVTPL. The Group intended to hold these equity investments for long-term strategic purposes. Related fair value losses of HK$2,876,000 previously recognised in investment revaluation reserve was transferred to accumulated losses on 1 January 2018.

As at 1 January 2018, unquoted equity investments of HK$255,280,000 were reclassified from available-for-sale investments to financial assets at FVTPL. These unquoted equity instruments have no quoted price in an active market. The Group intended to hold these unquoted equity investment for long-term strategic purposes. As at 1 January 2018, the fair value of these unquoted instruments approximated to their carrying amounts.

(c) Trade and other receivables of HK$14,453,000 were reclassified to contract assets as at 1 January 2018 as a result of the initial application of IFRS 15.

(d) The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or re-designate any financial asset or financial liability at FVTPL as at 1 January 2018.

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". IFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised cost, contract assets and debt investments at FVTOCI earlier than IAS 39. Cash and cash equivalents are subject to ECLs model but the impairment was immaterial for the current year.

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

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2018 (continued)

IFRS 9 — Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs

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

The Group has elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

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

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

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt instruments at FVTOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2018 (continued)

IFRS 9 — Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

Impact of the ECLs model

Impairment of trade receivables and contract assets:

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables.

For trade receivables and contract assets as at 1 January 2018, the Group applied expected credit loss rate of 0.7% for balances not past due; 2.7% for balances less than 30 days past due, and considered the loss allowance as at 31 December 2017 under IAS 39 approximated to the loss allowance under the ECLs model and accordingly, no adjustment is made to the loss allowance as at 1 January 2018.

The loss allowance of contract assets further increased by HK$11,947,000 (Note 21(a)) during the year ended 31 December 2018.

Impairment of other receivables:

Other financial assets at amortised cost of the Group include deposits and other receivables. The application of ECLs model had no impact on these assets as at 1 January 2018 and total ECLs of HK$35,129,000 (Note 22(b)) was recognised for the year ended 31 December 2018.

Further details on the Group's accounting policy on credit losses are set out in Note 3(i).

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2018 (continued)

IFRS 9 — Financial Instruments (continued)

(iii) Hedge accounting

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

(iv) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings/accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for the year ended 31 December 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed as at 1 January 2018 (the date of initial application of IFRS 9 by the Group ("DIA")):

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

— the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

— the designation of certain investments in equity instruments not held for trading to be classified as at FVTPL.

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

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2018 (continued)

IFRS 15 — Revenue from Contracts with Customers

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

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings/accumulated losses at the DIA. As a result, the financial information presented for the year ended 31 December 2017 has not been restated.

Under IFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact of IFRS 15 on the revenue recognition may take into consideration when multiple performance obligations are identified. Based on its assessment, the Group has not identified multiple performance obligations for its contracts with customers.

The following tables summarised the impact, net of tax, of transition to IFRS 15 on the opening balance of accumulated losses as follows (increase/(decrease)):

	HK$'000
Accumulated losses	
Contract assets (Note 21(a))	14,453
Trade and other receivables (Note 22)	(14,453)
Impact as at 1 January 2018	–

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2018 (continued)

IFRS 15 — Revenue from Contracts with Customers (continued)

The following table summarised the estimated impact of adoption of IFRS 15 on the Group's consolidated financial statements as at 31 December 2018.

	Amounts reported in accordance with IFRS 15 (A) HK$'000	Hypothetical amounts under IAS 18 (B) HK$'000	Difference: Estimated impact of adoption of IFRS 15 as at 31 December 2018 (A)–(B) HK$'000
Contract assets	4,525	–	4,525
Trade and other receivables	35,651	40,176	(4,525)
Trade and other payables	17,802	19,934	(2,132)
Contract liabilities	2,132	–	2,132

There was no material impact on the Group's consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018.

Amendments to IFRS 15 — Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted IFRS 15 and took up the clarifications in this, its first, year.

IFRIC 22 — Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

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

The following new or revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3 "Business Combinations"[1]
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IAS 12 "Income Taxes"[1]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
IFRS 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

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

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

3 Effective for business combinations where the acquisition date is on or after 1 January 2020

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continued to be permitted.

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IFRS 3 "Business Combinations"

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

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

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IAS 12 "Income Taxes"

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

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

Amendments to IAS 1 and IAS 8 — Definition of Material

The amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

Amendments to IFRS 3 — Definition of a Business

The amendments clarify that a business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interests) or generating other income from ordinary activities. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

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

Amendments to IFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepaid financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met — instead of at FVTPL.

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

IFRS 16 — Leases

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

Notes to the Financial Statements

For the year ended 31 December 2018

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

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

IFRS 16 — Leases (continued)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$18,314,000 as disclosed in Note 32(a). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise 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. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

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

IFRIC 23 — Uncertainty over Income Tax Treatments

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

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

Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full; conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

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

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared under historical cost convention except for certain financial instruments classified as available-for-sale investments and at fair value through profit or loss, which are measured at fair value. The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised IFRSs and the impacts on the financial statements, are disclosed in Note 2.

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

(b) Business combination and basis of consolidation

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and basis of consolidation (continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is 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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest that represents present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interest even if this results in non-controlling interest having a deficit balance.

(c) Subsidiaries

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

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries (continued)

— the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

— substantive potential voting rights held by the Company and other parties who hold voting rights;

— other contractual arrangements; and

— historic patterns in voting attendance.

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

(d) Associates

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

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profit and loss resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currencies

The financial statements are presented in Hong Kong Dollars ("HK$") and all balances are expressed in thousands, which is also the functional currency of the Company.

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

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

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

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment

(i) Measurement bases

Leasehold land and buildings

The land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Gain or loss arising from retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the assets, and is recognised in profit or loss.

(ii) Depreciation

Depreciation is provided to write off the costs less their estimated residual values over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and buildings	2% or over the term of the lease, whichever is shorter
Plant and machinery	15%
Computer hardware and software	33 $^{1}/_{3}$%
Furniture and fixtures	7%–20%
Leasehold improvements	10%–20% or over the term of the lease, whichever is shorter
Office equipment	33 $^{1}/_{3}$%

The assets' estimated residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases

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

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) The Group as lessor

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

Leasing income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(iii) The Group as lessee

Where the Group has the rights to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the statement of profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets

(i) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from acquisition is allocated to each of the relevant cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of asset that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 3(l)) and whenever there is an indication that the unit may be impaired.

For goodwill arising from an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (continued)

(ii) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses.

Amortisation is recognised in profit or loss and is provided on straight-line method over their estimated useful lives as follows. Non-compete agreements are amortised on a straight-line basis over the respective terms of agreements. Intangible assets with indefinite useful lives are carried at cost less any impairment losses.

Intellectual property	5 years
Mobile games	2 years
Distribution network	3 years
Online music streaming app	3 years
Non-compete agreements of mobile game business	5 years
Know-how	10 years
Non-compete agreements of health technology business	3 years
Mobile game license	3 years
Mobile game development	3 years

Club membership with indefinite life is carried at cost less any subsequent accumulated impairment losses.

(iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 3(l)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in profit or loss immediately.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments

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

(i) Financial assets

Accounting policies applied from 1 January 2018

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

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

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

Debt instruments

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Debt instruments (continued)

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

Equity investments

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

Impairment loss on financial assets

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Impairment loss on financial assets (continued)

The Group has elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

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

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

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

Accounting policies applied until 31 December 2017

The Group classifies its financial assets other than hedging instruments into one of the following categories: financial assets at FVTPL, available-for-sale investments and loans and receivables. Regular way purchases or sales of financial assets are recognised on trade date. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. The accounting policies adopted for each category are set out below.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Financial assets at FVTPL

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

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

Financial assets may be designated at initial recognition as at FVTPL if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

— the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in Note 3(n).

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Available-for-sale investments

These include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in fair value, excluding any dividend and interest income, is recognised in other comprehensive income and accumulated separately in investment revaluation reserve in equity, except for impairment loss and foreign exchange gain and loss on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. Change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

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

Reversals of impairment losses in respect of investments in equity instruments classified as available-for-sale and stated at fair value are not recognised in profit or loss. The subsequent increase in fair value is recognised in the other comprehensive income.

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

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derivative component in convertible bond

Derivative component in convertible bond is initially recognised at fair value and is classified separately into respective items on initial recognition. This is subsequently remeasured at fair value at the end of the reporting period with resulting gain or loss recognised in profit or loss immediately.

Loans and receivables

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

Impairment losses on loans and receivables are provided for when objective evidence is received that the Group will not be able to collect amounts due to it in accordance with the original terms of the receivables. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in profit or loss for the period in which impairment occurs.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Loans and receivables (Continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If, in subsequent period, the amount of 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss in the period in which the reversal occurs.

(ii) Financial liabilities and equity

These instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Convertible bonds

Convertible bonds contain liability and conversion option derivative

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option derivative is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of convertible bonds is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Convertible bonds (continued)

Convertible bonds contain liability and conversion option derivative (Continued)

When the bonds are converted, the carrying amount of the liability portion together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the bonds are redeemed, the difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Convertible bonds contain liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in convertible bonds equity reserve.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share capital and share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the bonds are allocated amongst the liability component and the equity/conversion option derivative in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the bonds using the effective interest method. Transaction costs relating to the conversion option derivative are expensed as incurred.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Other financial liabilities

Other financial liabilities include trade and other payables and accrued charges are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Borrowings

Interest-bearing loans and overdrafts are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement of redemption of borrowings is recognised over the term of the borrowings.

(iii) Effective interest method

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

(iv) Derecognition

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined on the actual basis and comprises invoiced value of purchases, freight and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(k) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are payable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand and at banks, including short-term bank deposits, and assets similar in nature to cash, which are not restricted as to use.

(l) Impairment of assets (other non-financial assets)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and interests in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

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

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

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU (see Note 3(h)(i)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income taxes

Income tax for the year comprises current tax and deferred tax.

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

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

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

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

(n) Revenue recognition

(i) Accounting policies applied from 1 January 2018

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

(i) Accounting policies applied from 1 January 2018 (continued)

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

— provides all of the benefits received and consumed simultaneously by the customer;

— creates or enhances an asset that the customer controls as the Group performs; or

— does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

When the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

(i) Accounting policies applied from 1 January 2018 (continued)

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

— Revenue from sales of in-app purchase items is recognised at a point in time on individual transaction basis upon the successful download of the in-app purchase items. Customers obtain control of the in-app purchase items when they received in-app purchase items in mobile game apps. There is generally only one performance obligation. Invoices are usually payable within 30 to 60 days.

— Advertising income is recognised over time when services are rendered or where performance obligations are substantially satisfied in accordance with the terms of the contract. Invoices for advertising income are issued on a monthly basis and are usually payable within 30 to 60 days.

For fixed-price advertising contracts, customer usually pays a fixed amount based on a payment schedule. Revenue is recognised on a straight-line basis over the term of the relevant period. If the advertising services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

— Revenue from game publishing services is recognised as follows:

The Group is engaged in the provision of mobile game publishing services through cooperation with upstream game developers, downstream platforms and third party payment vendors to players. The Group publishes third party developers' games on its own and third party platforms.

The Group's game publishing service income is pre-determined according to the relevant terms entered into between the Group and the licensor of the game. The games published on the platforms are hosted, maintained and updated by the licensor of the game, and the Group mainly provides access to the platforms and after-sale basic technical support to the paying players. The Group has evaluated and determined it is not the primary obligors in the services rendered to the players. Accordingly, the Group is acting as an agent in these arrangements and records its revenue, net of portion of sharing of revenues with the game developers when the players purchase in-game virtual items from the relevant mobile games.

Game publishing service income is recognised over time when services are rendered or when performance obligations are substantially satisfied in accordance with the terms of the contract. Invoices for game publishing service income are issued on a monthly basis and are usually payable within 30 to 60 days.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

(i) Accounting policies applied from 1 January 2018 (continued)

— Real-time video streaming income is recognised over time when services are rendered or when performance obligations are substantially satisfied in accordance with the terms of the contract. Invoices for real-time video streaming income are issued on a monthly basis and are usually payable within 30 to 60 days.

— Subscription fee income is recognised when services are rendered or substantially performed in accordance with terms of the contract, net of discounts.

— Interest income from financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably. Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

— Leasing income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Upon the adoption of IFRS 15, the Group has to made reclassification from trade and other receivables to contract assets since under IFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to the consideration, an entity should recognise a contract asset.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

(i) Accounting policies applied from 1 January 2018 (continued)

Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 3(i) and are reclassified to trade receivables when the right to the consideration has become unconditional.

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

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Contract Cost

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

(ii) Accounting policies applied until 31 December 2017

Revenue, which is the fair value of consideration received or receivable, is recognised when it is probable that economic benefits will flow to the Group, when the revenue and costs, if applicable, can be measured reliably.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to long service payment and annual leave are recognised when they accrue to employees. Provision is made for the estimated liabilities for long service payment and annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) Retirement benefit schemes

The Group participates in the following retirement benefit schemes and pays contributions to independently administered funds on a mandatory or contractual basis. Assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant Group companies. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense on accrual basis.

All eligible employees have participated in the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong. Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. There is no voluntary contribution from the Group nor the employees and there are no other legal or constructive obligations to the Group.

The employees of the Group's subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiary operating in Japan are required to participate in a defined contribution retirement plan to which the contributions are calculated as a percentage of employees' basic salaries. The retirement benefit plan cost charged to profit or loss represents contribution payable by the Group to the fund.

The employees of the Group's subsidiary operating in Israel are included in an arrangement based on Section 14 of the Israeli Severance Compensation Law ("Section 14"). The subsidiary is required to contribute a percentage of their payroll costs to a pension plan. The contributions are charged to profit or loss as they become payable in accordance with the rules of Section 14.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(iii) Share-based compensation

All share-based payment arrangements granted are recognised in the financial statements. The Group operates equity-settled share-based compensation plans to remunerate its employees, consultants and directors.

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

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

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital and the amount previously recognised in share-based compensation reserve is transferred out with any excess being recorded as share premium.

When the share options have vested and then lapsed, the amount previously recognised in the share-based compensation reserve is transferred to the accumulated losses.

(iv) Short-term employee benefits

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

(v) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

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

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Research and development costs

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

— the technical feasibility of completing the intangible asset so that it will be available for use or sale;
— the intention to complete the intangible asset and use or sell it;
— the ability to use or sell the intangible asset;
— how the intangible asset will generate probable future economic benefits;
— the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
— the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

(q) Provisions and contingent liabilities

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

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

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 uncertain events not wholly within control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Discontinued operations

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

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

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

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

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

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:
   - (i) has control or joint control over the Group;
   - (ii) has significant influence over the Group; or
   - (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions 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 of which the other entity is a member).
   - (iii) Both entities are joint ventures of the same third party.
   - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
   - (vi) The entity is controlled or jointly controlled by a person identified in (a).
   - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
   - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Notes to the Financial Statements

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Related parties (continued)

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

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

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

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

(iii) dependents of that person or that person's spouse or domestic partner.

(t) Segment information

In identifying the Group's operating segments, management generally follows the Group's service lines which represent the main service lines provided by the Group.

The Group has identified the following reportable operating segments:

Continuing operations

Strategic investment — acquiring stakes in companies engaging in among others, healthcare and technology businesses.

Discontinued operations

Asset management — provision of fund management and asset management.

Each of these operating segments is managed separately as each of them requires different resources. All inter-segment transfers are carried out at arm's length prices.

The chief operating decision makers, which are collectively the four Executive Directors of the Company, assess the performance of the operating segments based on a measure of operating profit. The measurement policies used by the Group for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs, except that:

- depreciation of property, plant and equipment;
- share-based compensation expense;
- finance costs;
- share of losses of an associate, net of tax;
- taxation credit; and
- certain other unallocated income and expenses.

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but exclude certain property, plant and equipment, as well as corporate assets unrelated to the business activities of any operating segment.

Segment liabilities include all liabilities but exclude convertible bonds, deferred tax liabilities and corporate liabilities unrelated to the business activities of any operating segment.

Notes to the Financial Statements

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are discussed below:

Valuation of intangible assets and estimated useful lives

The Group has made estimations and assumptions in relation to the potential future cash flows of identifiable intangible assets acquired as part of business combinations. This assessment involves estimations and assumptions relating to potential future revenues, appropriate discount rates and the estimated useful lives of such assets. These estimations and assumptions impact the statement of profit or loss over the estimated useful life of the intangible assets.

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and the intangible assets have been allocated. Value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. Details of the recoverable amount calculation and impairment loss made for the year are disclosed in Note 16.

Fair values of financial instruments

Financial instruments such as financial assets at FVTPL are initially measured at fair value. Certain financial instruments as described in Note 3(i) are re-measured at fair value at subsequent reporting dates. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group uses the values determined by the internal or external valuation techniques to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities requires varying degrees of judgment by management, which may result in different fair values and results. The assumptions with regard to the fair value of financial assets at FVTPL as detailed in Note 19, might cause material adjustments to the carrying amounts of assets and liabilities within the next accounting year.

Notes to the Financial Statements

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

Impairment of property, plant and equipment

The Group conducts impairment reviews of property, plant and equipment when events or changes in circumstances indicate that their carrying amounts may not be recoverable annually in accordance with relevant accounting standards. Impairment loss is recognised when the carrying amount of an asset is lower than the greater of its net selling price or the value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgments are applied in determining these future cash flows and the discount rate.

Impairment of contract assets, trade and other receivables

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Further information on the impairment of contract assets and trade and other receivables is included in Note 39(A).

Current taxation and deferred taxation

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which the final tax outcome is determined.

Deferred tax assets relating to certain tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact, where applicable and appropriate, the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

Deferred tax liabilities arise when the carrying amounts of the identifiable assets acquired in a business combination are recognised at their fair values at the acquisition date but the tax bases of the assets remain at cost to the previous owner, therefore a taxable temporary difference arises.

Notes to the Financial Statements

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(ii) Critical judgments in applying the Group's accounting policies

Control over a subsidiary

On 2 April 2015, the Group has expanded its business in the development, distribution and operating of mobile games ("mobile games"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under the PRC laws and regulations. Accordingly, the wholly foreign-owned enterprise within the Group cannot acquire equity interest in the PRC entity, which holds certain licenses and permits required for the operation of mobile games business. As a result, the Group acquired 70% equity interest in Honestway Global Group Limited ("HGGL"), a limited liability company incorporated in the British Virgin Islands, which indirectly owned a wholly foreign-owned enterprise, 深圳八零八八科技有限公司 (Shenzhen 8088 Technology Co., Ltd.* or "SZ8088"), and SZ8088 entered into contractual arrangements ("Contractual Arrangements") with a company with limited liability established in the PRC, 上海威搜游科技有限公司 (Shanghai VSOYOU Technology Co., Ltd.* or "VSOYOU"), and its respective registered shareholders in order to conduct the mobile games business in the PRC and to assert management control over the operation of, and enjoy all economic benefits of VSOYOU.

SZ8088 has entered into a series of Contractual Arrangements between VSOYOU and its respective registered shareholders which enable SZ8088 to:

— exercise effective financial and operating control over VSOYOU;

— exercise equity holders' voting rights of VSOYOU under the proxy agreement;

— receive substantially all of the economic interest returns generated by VSOYOU in consideration for the technology services, marketing services and other services provided by SZ8088 under the exclusive consultancy agreement;

— obtain irrecoverable and exclusive option right to purchase the entire equity interest in VSOYOU from the respective registered shareholders at a minimum purchase price permitted by PRC laws and regulations. SZ8088 may exercise such options at any time until it has acquired all equity interests of VSOYOU;

— obtain a pledge over the entire equity interest of VSOYOU from its respective registered shareholders as collateral security for all of VSOYOU's payments due to SZ8088 and to secure the performance of VSOYOU's obligations under the Contractual Arrangements;

— provide interest-free loan facilities of up to an amount to be agreed to the respective registered shareholder who shall only contribute the loan to the registered capital of VSOYOU for the development of the business of VSOYOU under the loan agreement. The loan shall be repaid by way of transfer of the equity interest in VSOYOU held by the respective registered shareholder to SZ8088 or its nominee(s); and

— purchase copyrights in respect of software for the games owned by VSOYOU at a consideration to be determined and settled in cash under the asset purchasing agreement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(ii) Critical judgments in applying the Group's accounting policies (continued)

Control over a subsidiary (continued)

The Group does not have any equity interest in VSOYOU. However, as a result of the effective execution of Contractual Arrangements, the Group has rights to variable returns from its involvement with VSOYOU and has the ability to affect those returns through its power over VSOYOU and is considered to control VSOYOU indirectly through SZ8088. Consequently, the Company regarded VSOYOU as its indirect non-wholly owned subsidiary and the Group consolidated the financial position and performance of VSOYOU in the consolidated financial statements since the date of acquisition. On 9 September 2016, the Group further acquired the remaining 30% of the issued share capital of HGGL, through acquiring the entire issued share capital of Rosy Year Investments Limited, a limited liability company incorporated in the British Virgin Islands, at a cash consideration of HK$42,000,000. Since then, VSOYOU is considered to be an indirect wholly-owned subsidiary of the Group. Significant judgments have been exercised by management in assessing and concluding VSOYOU as a subsidiary of the Group.

Further details of the Contractual Arrangements are set out in the Company's announcement dated 1 December 2014 and the circular dated 2 March 2015.

* The English translation of Chinese name of the PRC entities, if any, is included for identification only and should not be regarded as their official English translation.

Power to exercise significant influence

For certain investments with equity interests over 20%, management has assessed but there is an absence of any control, jointly control nor exercise significant influence over these companies as the Group did not participate in the financial and operating decisions of these companies during the year. Accordingly the Directors are in the opinion that the investments are not deemed to be associates and accounted for as financial assets at FVTPL/available-for-sale investments.

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For the year ended 31 December 2018

5. SEGMENT INFORMATION

Revenue generated, (loss)/profit from operations, total assets and liabilities by each of the Group's operating segment are summarised as follows:

	Continuing operations Strategic investment		Discontinued operations Asset management		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**19,261**	27,939	**–**	–	**19,261**	27,939
Segment (loss)/profit from operations	**(736,097)**	(380,340)	**4,800**	(2,439)	**(731,297)**	(382,779)
Other net income not allocated					**723**	51,151
Depreciation of property, plant and equipment					**(630)**	(570)
Share-based compensation expense					**–**	(15,759)
Unallocated corporate expenses					**(20,154)**	(70,273)
Loss from operations					**(751,358)**	(418,230)
Finance costs					**(14,379)**	(13,493)
Share of results of an associate, net of tax	**–**	(2,313)	**–**	–	**–**	(2,313)
Loss before taxation					**(765,737)**	(434,036)
Taxation credit					**1,418**	6,063
Loss for the year					**(764,319)**	(427,973)

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5. SEGMENT INFORMATION (continued)

There were no inter-segment transactions during the years ended 31 December 2018 and 2017.

The segment of strategic investment mainly comprises investments in healthcare and technology businesses.

Unallocated corporate expenses mainly comprise legal and professional fees, rent and rates and salaries and allowances.

	Continuing operations		Discontinued operations			
	Strategic investment		Asset management		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**634,840**	1,377,118	**–**	708	**634,840**	1,377,826
Unallocated property, plant and equipment					**1,801**	1,953
Unallocated corporate assets					**12,592**	19,569
Total assets					**649,233**	1,399,348

All assets are allocated to operating segments other than unallocated assets (mainly comprising certain property, plant and equipment, other receivables and cash and cash equivalents).

	Continuing operations		Discontinued operations			
	Strategic investment		Asset management		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment liabilities	**16,046**	13,451	**–**	71	**16,046**	13,522
Convertible bonds					**181,825**	167,742
Deferred tax liabilities					**10,546**	12,246
Unallocated corporate liabilities					**5,226**	14,182
Total liabilities					**213,643**	207,692

All liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising convertible bonds and deferred tax liabilities).

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5. SEGMENT INFORMATION (continued)

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

For the year ended	Continuing operations Strategic investment 2018 HK$'000	Continuing operations Strategic investment 2017 HK$'000	Discontinued operations Asset management 2018 HK$'000	Discontinued operations Asset management 2017 HK$'000	Total 2018 HK$'000	Total 2017 HK$'000
Primary geographical markets						
Hong Kong (place of domicile)	**6,222**	10,116	**–**	–	**6,222**	10,116
The PRC	**13,039**	17,823	**–**	–	**13,039**	17,823
Total	**19,261**	27,939	**–**	–	**19,261**	27,939
Major products/services						
Sales of in-app purchase items	**4,226**	4,245	**–**	–	**4,226**	4,245
Advertising income	**10,292**	5,519	**–**	–	**10,292**	5,519
Game publishing service income	**4,013**	15,249	**–**	–	**4,013**	15,249
Subscription fee income	**–**	1,944	**–**	–	**–**	1,944
Real-time video streaming income	**730**	982	**–**	–	**730**	982
	19,261	27,939	**–**	–	**19,261**	27,939
Timing of revenue recognition						
At a point in time	**4,226**	4,245	**–**	–	**4,226**	4,245
Transferred over time	**15,035**	23,694	**–**	–	**15,035**	23,694
	19,261	27,939	**–**	–	**19,261**	27,939

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For the year ended 31 December 2018

5. SEGMENT INFORMATION (continued)

	Continuing operations		Discontinued operations			
	Strategic investment		Asset management		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information						
Additions to non-current assets	**35,981**	192,767	**–**	–	**35,981**	192,767
Depreciation of property, plant and equipment	**(1,986)**	(822)	**(1)**	(2)	**(1,987)**	(824)
Income tax expense	**(282)**	(398)	**–**	–	**(282)**	(398)
Deferred tax credit	**1,700**	6,461	**–**	–	**1,700**	6,461

Additions to non-current assets mainly represents additions to property, plant and equipment, intangible assets and financial assets at FVTPL.

Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**6,222**	10,116	**65,160**	102,038
The PRC	**13,039**	17,823	**11,044**	15,126
Other Asian countries	**–**	–	**49,989**	54,900
	19,261	27,939	**126,193**	172,064

During the year ended 31 December 2018, revenue from two customers (2017: two) of the Group's strategic investment segment amounted to HK$10,674,000 (2017: HK$7,970,000), which individually represented more than 10% of the Group's total revenue.

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For the year ended 31 December 2018

6. REVENUE

Revenue represents the (i) net receipts from sales of in-app purchases items, (ii) advertising income, (iii) game publishing service income, (iv) subscription fee income and (v) real-time video streaming income. An analysis of revenue is as follows:

	2018	2017
	HK$'000	HK$'000
Continuing operations		
Sales of in-app purchase items	**4,226**	4,245
Advertising income	**10,292**	5,519
Game publishing service income	**4,013**	15,249
Subscription fee income	**–**	1,944
Real-time video streaming income	**730**	982
	19,261	27,939

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers:

	As at 31 December 2018	As at 1 January 2018
	HK$'000	HK$'000
Trade receivables (Note 22)	**187**	419
Contract assets (Note 21(a))	**4,525**	14,453
Contract liabilities (Note 21(b))	**(2,132)**	–

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the game publishing service income, advertising income and real-time video streaming income. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group provides the official invoices to the customers.

The contract liabilities mainly relate to the advance consideration received from customers.

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts was HK$2,132,000. This contract liability represents revenue expected to be recognised in the future from partially-completed advertising contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur within the next 12 months.

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For the year ended 31 December 2018

7. OTHER NET INCOME

	2018 HK$'000	2017 HK$'000
Continuing operations		
Bank interest income	**791**	1,159
Effective interest income on investments in convertible bonds	**3,620**	8,515
Foreign exchange gains, net	**–**	1,280
Loss on disposal of property, plant and equipment	**–**	(67)
Gain on deemed disposal of interest in an associate (Note 17(a))	**–**	31,750
Interest income on loans to independent third parties	**488**	5,593
Interest income on a loan to a shareholder of an investee	**261**	629
Interest income on a loan to a subsidiary of an investee/an associate	**277**	1,248
Interest income on loaned securities to an investee (Note 31(b)(ii))	**1,983**	–
Leasing income from related companies	**139**	–
Others	**1,733**	1,044
	9,292	51,151

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Continuing operations		
Effective interest expense on convertible bonds		
— wholly repayable within five years (Note 26)	**14,083**	12,999
Interest on borrowings	**296**	494
	14,379	13,493

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For the year ended 31 December 2018

9. LOSS BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Loss before taxation for continuing and discontinued operations is arrived at after charging:		
Auditor's remuneration:		
— audit services	**1,288**	1,276
— non-audit services	**245**	585
Impairment of contract assets (included in other operating expenses) (Note 21(a))	**11,947**	–
Employee benefit expense (including directors' remuneration and share-based compensation expense) (Note 13(d))	**27,387**	58,540
Operating leases charges in respect of leased premises	**6,043**	7,310
Write-off of property, plant and equipment (Note 14)	**413**	109
Loss on disposal of available-for-sale investments (Note 15(d))	**–**	547
Loss on disposal of property, plant and equipment	**9**	67
Impairment of loan receivables (included in other operating expenses) (Note 22(b))	**35,129**	3,437
Foreign exchange loss, net	**1,883**	–
Research and development costs	**11,173**	4,065
Loss on settlement of borrowings (Note 25)	**3,825**	–

Notes to the Financial Statements

For the year ended 31 December 2018

10. TAXATION CREDIT

	2018 **HK$'000**	2017 HK$'000
Hong Kong		
— Current tax for the year	**6**	55
— Under-provision/(over-provision) in respect of prior year	**270**	(20)
The PRC		
— Current tax for the year	**6**	363
Deferred tax credit (Note 27)	**(1,700)**	(6,461)
Taxation credit	**(1,418)**	(6,063)

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 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Accordingly, starting from the year ended 31 December 2018, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

For the year ended 31 December 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

The Group's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at the tax rate of 25% (2017: 25%). One of the Group's major operating subsidiaries, VSOYOU, was established in the PRC and carries on business in the PRC as a software enterprise. This subsidiary has, pursuant to the relevant laws and regulations in the PRC, obtained exemption from PRC Enterprise Income Tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years (the "Tax Exemption"). This subsidiary which is currently entitled to the Tax Exemption from 1 January 2015 would continue to enjoy such treatments until the Tax Exemption period expires, but not beyond 31 December 2019.

The Group's subsidiaries operating in Israel are subject to corporate income tax at the tax rate of 23% (2017: 24%).

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10. TAXATION CREDIT (continued)

Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions for the years ended 31 December 2018 and 2017.

Reconciliation between taxation credit and accounting loss at applicable tax rates is as follows:

	2018	2017
	HK$'000	HK$'000
Loss before taxation	**(765,737)**	(434,036)
Tax at the domestic income tax rates	**(126,347)**	(71,616)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,966)**	(1,229)
Tax effect of share of losses of an associate	**–**	382
Tax effect of non-taxable income	**(28,628)**	(9,347)
Tax effect of non-deductible expenses	**153,136**	72,582
Tax effect of unrecognised temporary differences	**(442)**	82
Tax effect of unrecognised tax losses	**5,595**	2,087
Utilisation of tax losses previously not recognised	**(36)**	–
Tax effect of tax exemption granted to PRC subsidiaries	**–**	1,016
Under-provision/(over-provision) in respect of prior year	**270**	(20)
Taxation credit	**(1,418)**	(6,063)

Notes to the Financial Statements

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11. DISCONTINUED OPERATIONS

On 5 September 2018, the Group disposed of its entire issued share capital of AID Partners Asset Management Limited ("AIDPAML") to an independent third party at a cash consideration of approximately HK$5,937,000. The Directors considered it is unlikely there will be significant improvement in this business sector and therefore discontinued this business segment. The results of this business segment up to 5 September 2018 were as follows:

	Note	**2018** **HK$'000**	2017 HK$'000
Revenue		**–**	–
Administrative expenses			
Depreciation of property, plant and equipment		**(1)**	(2)
Other administrative expenses		**(931)**	(2,437)
		(932)	(2,439)
Loss before taxation		**(932)**	(2,439)
Taxation		**–**	–
Loss after taxation		**(932)**	(2,439)
Gain on disposal of subsidiary	37(b)	**5,732**	–
Profit/(Loss) for the year from discontinued operations		**4,800**	(2,439)
Operating cash inflows/(outflows)		**441**	(5,740)
Investing cash flows		**–**	–
Financing cash flows		**–**	–
Total cash inflows/(outflows)		**441**	(5,740)

Notes to the Financial Statements

For the year ended 31 December 2018

11. DISCONTINUED OPERATIONS (continued)

Note:

(i) Loss before taxation — Discontinued operations

	2018 HK$'000	2017 HK$'000
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
— audit services	**27**	42
Employee benefit expense (including directors' remuneration and share-based compensation expenses)	**663**	1,902
Operating leases charges in respect of leased premises	**108**	135

(ii) The carrying amounts of the assets and liabilities of AIDPAML at the date of disposal are disclosed in Note 37(b).

A gain of HK$5,732,000 arose on the disposal of AIDPAML, being the proceeds of disposal less the carrying amount of the subsidiary's net assets at disposal date. No tax charge or credit arose from the disposal.

For the purpose of presenting discontinued operations, the comparative consolidated statement of profit or loss and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

For continuing and discontinued operations

Basic and diluted loss per share is calculated by dividing consolidated loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year and adjusted weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, respectively.

	2018	(Restated) 2017
(HK$'000)		
Loss attributable to owners of the Company for the purposes of basic loss per share	**(765,260)**	(420,333)
(Number)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**538,268,649**	498,058,728

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for share consolidation on 14 December 2018 (Note 28(d)).

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12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

For continuing and discontinued operations (continued)

The calculation of the basic loss per share attributable to owners of the Company from continuing and discontinued operations is based on the following:

	2018	(Restated) 2017
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(765,260)**	(420,333)
Adjusted for:		
(Profit)/Loss for the year from discontinued operations	**(4,800)**	2,439
Loss for the purpose of basic loss per share from continuing operations	**(770,060)**	(417,894)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic earnings per share for the discontinued operations are 0.89 HK cents per share (2017: basic loss of 0.49 HK cents per share), based on the profit for the year from the discontinued operations of HK$4,800,000 (2017: loss of HK$2,439,000) and the denominators detailed above for the both basic and diluted loss per share.

Diluted loss per share

For the years ended 31 December 2018 and 2017, the diluted loss per share would reduce if the outstanding share options and convertible bonds were taken into account, as those financial instruments had an anti-dilutive effect and these were ignored in the calculation of diluted loss per share.

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13. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

	Fees HK$'000	Salaries and allowances HK$'000	Retirement fund contributions HK$'000	Share-based compensation expense* HK$'000	Total HK$'000
2018					
Executive Directors:					
Wu King Shiu, Kelvin (Note (i))	–	2,911	18	–	2,929
Chan Suet Ngan (Note (ii))	10	1,040	18	–	1,068
Hu Kenneth (Note (ii))	10	806	18	–	834
Qian Alexandra Gaochuan (Note (ii))	10	806	18	–	834
Non-Executive Directors:					
Xu Haohao	300	–	–	–	300
Guo Qifei (Note (iii))	175	–	–	–	175
Independent Non-Executive Directors:					
Fong Janie	300	–	–	–	300
Yuen Kwok On	300	–	–	–	300
Matsumoto Hitoshi	300	–	–	–	300
	1,405	5,563	72	–	7,040

Notes:

(i) Re-designated from an Executive Director to a Non-Executive Director and Chairman on 4 February 2019.

(ii) Appointed as an Executive Director on 1 January 2018.

(iii) Resigned as a Non-Executive Director on 1 August 2018.

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13. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' remuneration (continued)

	Fees HK$'000	Salaries and allowances HK$'000	Retirement fund contributions HK$'000	Share-based compensation expense* HK$'000	Total HK$'000
2017					
Executive Directors:					
Wu King Shiu, Kelvin	–	6,050	18	1,507	7,575
Ho Gilbert Chi Hang (Note (vi))	–	6,028	18	1,507	7,553
Non-Executive Directors:					
Chang Tat Joel (Note (i))	413	–	16	394	823
Xu Haohao	300	–	–	–	300
Guo Qifei	300	–	–	–	300
Fong Janie (Note (ii))	125	–	–	223	348
Independent Non-Executive Directors:					
Fong Janie (Note (ii))	175	–	–	–	175
Yuen Kwok On	300	–	–	120	420
Chinn Adam David (Note (iii))	200	–	–	120	320
Professor Lee Chack Fan, GBS, SBS, JP (Note (iv))	299	–	–	120	419
Matsumoto Hitoshi (Note (v))	113	–	–	–	113
	2,225	12,078	52	3,991	18,346

Notes:

(i) Resigned as a Non-Executive Director on 10 November 2017.

(ii) Re-designated from a Non-Executive Director to an Independent Non-Executive Director on 1 June 2017.

(iii) Resigned as an Independent Non-Executive Director on 1 June 2017.

(iv) Resigned as an Independent Non-Executive Director on 15 August 2017.

(v) Appointed as an Independent Non-Executive Director on 15 August 2017.

(vi) Resigned as an Executive Director on 1 January 2018.

* These amounts represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payments as set out in Note 3(o)(iii). Particulars of share options granted to the Directors under the Company's share option scheme are set out in Note 30.

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

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13. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four Directors (2017: two Directors) whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining one (2017: three) individuals during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and benefits in kind	**2,556**	3,080
Contractual and discretionary bonuses	**–**	896
Retirement fund contributions	**48**	54
Share-based compensation expense	**–**	1,553
	2,604	5,583

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	2
HK$2,500,001 to HK$3,000,000	**2**	–
HK$7,500,001 to HK$8,000,000	**–**	2

Except as disclosed above, no emoluments were paid by the Group to the Directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2018 and 2017.

13. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(c) Senior management

Members of senior management during the year were the Directors whose remuneration as set out in Note 13(a) above. The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
Nil to HK$1,000,000	**7**	8
HK$1,000,001 to HK$1,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–
HK$7,500,001 to HK$8,000,000	**–**	2

(d) Employee benefit expense (including directors' remuneration)

	2018 **HK$'000**	2017 HK$'000
Fees	**1,405**	2,225
Salaries, allowances and benefits in kind	**23,682**	36,334
Bonus paid and payable	**824**	2,561
Retirement fund contributions*	**1,476**	1,661
Share-based compensation expense (Notes 30 and 34)	**–**	15,759
Total	**27,387**	58,540

* There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31 December 2018 and 2017.

	2018 **HK$'000**	2017 HK$'000
Analysed into:		
Continuing operations	**26,724**	56,638
Discontinued operations	**663**	1,902
	27,387	58,540

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14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Computer hardware and software HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Total HK$'000
As at 1 January 2017							
Cost	10,706	–	1,104	653	1,762	170	14,395
Accumulated depreciation	(55)	–	(553)	(164)	(1,547)	(54)	(2,373)
Carrying amount	10,651	–	551	489	215	116	12,022
Year ended 31 December 2017							
Opening carrying amount	10,651	–	551	489	215	116	12,022
Additions	–	6,000	645	350	2,104	101	9,200
Acquisition of GeneSort Group (Note 38)	–	–	682	181	198	–	1,061
Disposals	–	–	–	(96)	–	–	(96)
Disposal of Time Edge Group (Note 37(a))	–	–	(24)	–	–	(14)	(38)
Depreciation	(65)	(150)	(504)	(146)	(449)	(80)	(1,394)
Exchange alignment	–	188	38	19	16	5	266
Written off (Note 9)	–	–	–	(48)	(61)	–	(109)
Closing carrying amount	10,586	6,038	1,388	749	2,023	128	20,912
As at 31 December 2017							
Cost	10,706	6,193	2,144	980	2,922	171	23,116
Accumulated depreciation	(120)	(155)	(756)	(231)	(899)	(43)	(2,204)
Carrying amount	10,586	6,038	1,388	749	2,023	128	20,912
Year ended 31 December 2018							
Opening carrying amount	**10,586**	**6,038**	**1,388**	**749**	**2,023**	**128**	**20,912**
Additions	**–**	**1,869**	**279**	**216**	**22**	**48**	**2,434**
Disposals	**–**	**–**	**(12)**	**–**	**–**	**–**	**(12)**
Disposal of AIDPAML (Note 37(b))	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Disposal of Prestige Creation Group (Note 37(d))	**–**	**–**	**(18)**	**(115)**	**–**	**(14)**	**(147)**
Depreciation	**(65)**	**(1,315)**	**(500)**	**(197)**	**(453)**	**(87)**	**(2,617)**
Exchange alignment	**–**	**(351)**	**(61)**	**(13)**	**(17)**	**1**	**(441)**
Written off (Note 9)	**(413)**	**–**	**–**	**–**	**–**	**–**	**(413)**
Closing carrying amount	**10,108**	**6,241**	**1,075**	**640**	**1,575**	**76**	**19,715**
As at 31 December 2018							
Cost	**10,207**	**7,660**	**2,087**	**931**	**2,903**	**95**	**23,883**
Accumulated depreciation	**(99)**	**(1,419)**	**(1,012)**	**(291)**	**(1,328)**	**(19)**	**(4,168)**
Carrying amount	**10,108**	**6,241**	**1,075**	**640**	**1,575**	**76**	**19,715**

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15. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000	2017 HK$'000
Equity securities listed in Hong Kong, at fair value	–	707,603
Equity investments in unlisted entities, at cost (net of impairment)	–	255,280
Total	–	962,883

Movements in available-for-sale investments during the year are as follows:

	Notes	2018 HK$'000	2017 HK$'000
As at 1 January as originally presented		**962,883**	244,655
Reclassification to financial assets at fair value through profit or loss (Note 19(v))	(a)	**(962,883)**	–
As at 1 January (Restated)		–	244,655
Additions	(b)	–	13,976
Reclassification from financial assets at fair value through profit or loss	(b), (c)	–	710,479
Disposals	(d)	–	(1,791)
Change in fair value recognised during the year	(c)	–	(2,876)
Impairment	(e)	–	(1,560)
As at 31 December		–	962,883

Notes:

(a) Following adoption of IFRS 9, with effect from 1 January 2018, the Group's investments in equity securities previously classified as available-for-sale investments are now classified as financial assets at FVTPL, of which the fair value changes are recognised through profit or loss.

(b) The Group acquired certain unlisted investments at a cash consideration of HK$13,976,000, and reclassified interest in HMV Digit China from financial assets at FVTPL at an aggregate amount of HK$710,479,000 (Note 19(vi)) during the year ended 31 December 2017.

(c) As at 31 December 2017, the available-for-sale investments included an investment in approximately 21.34% equity interest in HMV Digit China amounted to HK$707,603,000 which was reclassified from financial assets at FVTPL as detailed in Note 19(vi). The investment is not accounted for using equity method as the Group did not have the power to participate in HMV Digit China's operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

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For the year ended 31 December 2018

15. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

(d) On 31 October 2017, the Group disposed of an available-for-sale investment at a cash consideration of HK$1,244,000, resulting in a loss on disposal of HK$547,000 recognised as other operating expenses in profit or loss.

(e) The Group made an impairment provision of HK$1,560,000 against the carrying amount of an available-for-sale investment during the year ended 31 December 2017 with reference to its recoverable amount.

(f) As at 31 December 2017, the remaining available-for-sale investments mainly represented US$30,000,000 (equivalent to approximately HK$234,000,000) of series A preferred stocks of Zoox, Inc. ("Zoox"), a company incorporated in the United States of America with limited liability. Zoox is principally engaged in robotics and pioneering autonomous mobility.

As at 31 December 2017, the fair values of unlisted investments were not disclosed as there was no open market for these securities and the fair values could not be measured reliably.

16. INTANGIBLE ASSETS

	Goodwill	Intellectual property	Mobile games	Distribution network	Online music streaming app	Non-compete agreements of mobile game business	Know-how	Non-compete agreements of health technology business	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note (a))	(Note (b))	(Note (c))	(Note (c))	(Note (c))	(Note (c))	(Note (d))	(Note (d))	(Note (e))	
Carrying amount as at 1 January 2017	75,788	21,541	1,856	3,235	–	17,296	–	–	6,466	126,182
Acquisition of GeneSort Group (Note 38)	52,479	–	–	–	–	–	37,189	1,039	–	90,707
Additions	–	–	–	–	1,700	–	–	–	10,875	12,575
Disposal of Time Edge Group (Note 37(a))	(12,309)	–	–	–	(1,417)	–	–	–	–	(13,726)
Amortisation	–	(3,883)	(1,856)	(2,588)	(283)	(5,322)	(1,705)	(159)	(3,433)	(19,229)
Impairment	(27,900)	(17,658)	–	–	–	–	–	–	–	(45,558)
Exchange alignment	–	–	–	–	–	–	–	–	201	201
Carrying amount as at 31 December 2017 and 1 January 2018	**88,058**	**–**	**–**	**647**	**–**	**11,974**	**35,484**	**880**	**14,109**	**151,152**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,089**	**5,089**
Amortisation	**–**	**–**	**–**	**(647)**	**–**	**(5,322)**	**(3,719)**	**(346)**	**(8,001)**	**(18,035)**
Impairment	**(27,999)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,674)**	**(31,673)**
Exchange alignment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(55)**	**(55)**
Carrying amount as at 31 December 2018	**60,059**	**–**	**–**	**–**	**–**	**6,652**	**31,765**	**534**	**7,468**	**106,478**

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For the year ended 31 December 2018

16. INTANGIBLE ASSETS (continued)

Notes:

(a) Goodwill acquired through acquisition of subsidiaries is allocated to the Group's CGUs. A summary of goodwill allocation is presented below:

	2018 HK$'000	2017 HK$'000
HGGL Group	**7,580**	33,639
AID Japan Co., Ltd. ("AID Japan")	**–**	1,940
GeneSort Group (Note 38)	**52,479**	52,479
	60,059	88,058

The recoverable amount of HGGL Group as at 31 December 2018 to which the goodwill relates was determined based on a value in use calculation. The calculation was based on financial budgets covering a five-year period approved by management and followed by an extrapolation of expected cash flows with 3% growth rate. Key assumptions were based on past performance, management estimation on market development and general inflation based on the growth rates which did not exceed the long-term average growth rates for the business in which the CGU operates. The discount rate used for value in use calculations was pre-tax and reflected specific risks relating to the relevant CGU. Accordingly, an impairment of HK$26,059,000 was recognised in profit or loss for the year ended 31 December 2018 due to unfavourable change in market condition of mobile-online games business in the PRC.

During the year ended 31 December 2018, goodwill arising from the acquisition of AID Japan of HK$1,940,000 was fully impaired in profit or loss with reference to the recoverable amount of the CGU.

The recoverable amount of GeneSort Group as at 31 December 2018 to which the goodwill relates was determined based on the fair value less cost of disposal using market approach by reference to a recent transaction entered into between a shareholder of GeneSort Group and a market participant during the year. The Directors considered the transaction prices were determined on an arms-length basis and no impairment was necessary as at 31 December 2018 as the recoverable amount of the CGU exceeds its carrying amount.

As at 31 December 2017, the recoverable amounts of HGGL Group and GeneSort Group to which the goodwill relates was determined based on a value in use calculation. The calculation was based on financial budgets covering a five-year period approved by management and followed by an extrapolation of expected cash flows with 3% growth rate for HGGL and 2% for GeneSort Group. Key assumptions were based on past performance, management estimation on market development and general inflation based on the growth rates which did not exceed the long-term average growth rates for the businesses in which the CGUs operates. The discount rates used for value in use calculations are pre-tax and reflected specific risks relating to the relevant CGUs.

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

	HGGL Group		GeneSort Group	
	2018	2017	**2018**	2017
Terminal growth rate	**3%**	3%	**N/A**	2%
Discount rate	**32.1%**	33.4%	**N/A**	34.4%

Apart from the considerations described above in determining the value in use of the CGUs, management was not aware of any other probable changes that would necessitate changes in the key assumptions.

Notes to the Financial Statements

For the year ended 31 December 2018

16. INTANGIBLE ASSETS (continued)

Notes: (continued)

(b) Intellectual property represents a series of interactive role-playing game Apps available on the three major global digital distribution platforms, namely Apple's App Store, Google's Play Store and Amazon's App Store which arising from the acquisition of Complete Star Limited ("CSL") on 9 October 2014. The recoverable amount of CSL to which the intangible asset relates was determined based on a value in use calculation. The calculation was based on a financial budget covering a five-year period approved by management and followed by an extrapolation of expected cash flows with nil terminal growth rate for CSL. Key assumptions were based on past performance, management estimation on market development and general inflation, based on the growth rate which did not exceed the long-term average growth rate for the business in which the CGU operates. A pre-tax discount rate of 27.8% was used for value in use calculation which reflected specific risks relating to the CGU. During the year ended 31 December 2017, the Group has fully impaired the intellectual property with an impairment loss of HK$17,658,000 recognised in profit or loss due to the unfavourable charge in market condition of mobile game business.

(c) Mobile games, distribution network and non-compete agreements of mobile game business arose from acquisition of 70% equity interest in HGGL on 2 April 2015. Mobile games represent self-developed games launched to the mobile game market.

Distribution network represents the mobile application which provides download access to users of the mobile application to download mobile games in the PRC.

Non-compete agreements of mobile game business refer to the restrictive covenants included in employment contracts of certain key management personnel of VSOYOU who agreed not to enter into or start a similar profession or trade in competition against VSOYOU's business.

Online music streaming app represents the mobile application of Time Edge Group for providing online music streaming service to the public, where Time Edge Group was disposed of on 26 April 2017 as detailed in Note 37(a).

(d) Know-how and non-compete agreements of health technology business arose from acquisition of approximately 73.7% equity interest in GeneSort Group on 11 July 2017.

Know-how represents a series of diagnostic tests identifying key mutations contributory to disease development and progression in cancer tissues, as well as genetic screening tests to identify individual susceptibility to cancer risk based on a technology referred to as Next Generation Sequencing ("NGS") for the analysis of NGS data and for generating individual personalised medical treatment options reports.

Non-compete agreements of health technology business refer to the restrictive covenants included in the sale and purchase agreement of previous shareholders of GeneSort Group who agreed not to enter into or start a similar profession or trade in competition against the business of GeneSort Group.

(e) As at 31 December 2018, others represented (i) a mobile game license with net carrying amount of HK$4,168,000 (2017: HK$5,130,000); (ii) mobile apps development with net carrying amount of Nil (2017: HK$5,679,000) as a result of amortisation of HK$2,005,000 and impairment of HK$3,674,000 recognised in profit of loss for the year ended 31 December 2018 due to unfavourable change in market condition of mobile-online games business in the PRC; and (iii) a club membership with net carrying amount of HK$3,300,000 (2017: HK$3,300,000).

For the impairment testing on club membership, the recoverable amount was determined based on fair value less costs of disposals which represented the market price less cost of disposal as at 31 December 2018 and no impairment was considered necessary.

Notes to the Financial Statements

For the year ended 31 December 2018

17. INTEREST IN AN ASSOCIATE

Movements in interest in an associate during the year are as follows:

	Notes	**2018** **HK$'000**	2017 HK$'000
As at 1 January		–	861,029
Gain on deemed disposal (Note 7)	(a)	–	31,750
Share of losses, net of tax		–	(2,313)
Share of other comprehensive income of an associate/associate		–	297
Fair value loss recognised in profit or loss upon reclassification	(b)	–	(286,925)
Reclassification to financial assets at fair value through profit or loss	(b)	–	(603,838)
As at 31 December		–	–

Notes:

(a) During the period from 1 January to 28 June 2017, with the completion of placings of new ordinary shares of HMV Digit China, the conversion of certain of its convertible bonds and an acquisition satisfied by issue and allotment of its ordinary shares, the Group's shareholding in HMV Digit China was diluted from 20.47% to 16.59% and an aggregate gain on deemed disposal of HK$31,750,000 was recognised in profit or loss (Note 7).

(b) Following the resignation of the Company's two directors from the board of directors of HMV Digit China on 28 June 2017, the Group had no significant influence on HMV Digit China's financial and operating policies. Accordingly, the Group's interest in HMV Digit China with a net carrying amount of HK$603,838,000 (Note 19)(iv)) was reclassified to financial assets at FVTPL on 28 June 2017, including a fair value loss of HK$286,925,000 which has been recognised in profit or loss upon reclassification from interest in an associate to the financial assets at FVTPL.

(c) Summarised financial information in respect of the Group's associate is set out below. The associate was accounted for in the consolidated financial statements using equity method. The summarised financial information represents amounts shown in the financial statements of the associates, after fair value adjustments, prepared in accordance with IFRSs:

	For the period from 1 January 2017 to 28 June 2017 (date of reclassification) HK$'000
Revenue	230,462
Loss for the period	(15,707)
Other comprehensive income	1,465
Total comprehensive income for the period	(14,242)
Less: attributable to non-controlling interests	2,528
Total comprehensive income attributable to the owners of the associate	(11,714)

Notes to the Financial Statements

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18. INVESTMENTS IN CONVERTIBLE BONDS

The carrying value of the debt component of the convertible bonds recognised in the consolidated statement of financial position at the end of the reporting period are as follows:

	Notes	**2018** **HK$'000**	2017 HK$'000
As at 1 January as originally presented		**60,388**	14,362
Impact on initial adoption of IFRS 9			
— Convertible Bond of Brave Entertainment	(a)	**(19,056)**	–
— Convertible Bond of HMV Digit China	(b)	**(41,332)**	–
As at 1 January (Restated)		**–**	14,362
Convertible Bond of HMV Digit China (Note (b))		**–**	38,252
Effective interest income for the year		**–**	8,515
Interest received		**–**	(741)
As at 31 December		**–**	60,388
Categorised as:			
Current portion	(a)	**–**	19,056
Non-current portion	(b)	**–**	41,332
		–	60,388

Notes:

(a) Convertible Bond of Brave Entertainment

In December 2015, Shiny Diamond Limited ("Shiny Diamond"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with Brave Entertainment pursuant to which Shiny Diamond agreed to subscribe for convertible bond with principal amount of HK$22,158,000, bearing an interest rate of 4% per annum receivable quarterly in arrears (the "Convertible Bond of Brave Entertainment"). On 3 December 2015, all the conditions precedent set out in the Subscription Agreement were fulfilled and that the subscription of the Convertible Bond of Brave Entertainment was completed.

Notes to the Financial Statements

For the year ended 31 December 2018

18. INVESTMENTS IN CONVERTIBLE BONDS (continued)

Notes: (continued)

(a) Convertible Bond of Brave Entertainment (continued)

The Convertible Bond of Brave Entertainment is convertible at the option of Shiny Diamond at any time during the period commencing from the date after the date of subscription up to and including the date immediately preceding the third anniversary of the date of subscription (the "Maturity Date") at a price of HK$387 per share. The convertible bond is transferable with prior notification to Brave Entertainment. Shiny Diamond may, having given not less than thirty days' notice to the issuer, redeem all or some of the convertible bonds then outstanding on the date which is 18 months after the date of issue and every subsequent 3 months thereafter prior to the Maturity Date.

In accordance with IAS 39, the embedded derivatives (i.e. the early redemption and conversion option) of the convertible bonds are separated from the host contracts because their economic characteristics and risk are not closely related to those of the host contracts and were accounted for as financial assets at FVTPL as set out in Note 19(iii).

On 27 July 2017, the Group exercised its early redemption option by giving no less than thirty day's notice to the issuer, to fully redeem the convertible bond on 31 August 2017. Accordingly, the fair value of the embedded derivatives became Nil (Note 19(iii)). On 10 August 2017, the Convertible Bond of Brave Entertainment was transferred by Shiny Diamond to Action Key Investments Limited ("Action Key"), another wholly-owned subsidiary of the Group. During the year ended 31 December 2017, the Group had subsequently extended the redemption date of the Convertible Bond of Brave Entertainment to 1 June 2018.

As at 31 December 2017, the carrying amount of the Convertible Bond of Brave Entertainment was HK$19,056,000 with debt component of HK$19,056,000 and the embedded derivative component of Nil. Interest income amounted to HK$5,436,000 of the debt component of the Convertible Bond of Brave Entertainment for the year ended 31 December 2017 was calculated using the effective interest method by applying an effective interest rate of 31.9%.

Following adoption of IFRS 9 with effect from 1 January 2018, the convertible bond of Brave Entertainment with a carrying amount of HK$19,056,000 was reclassified as a loan receivable measured at amortised cost (Note 22(b)(v)).

Notes to the Financial Statements

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18. INVESTMENTS IN CONVERTIBLE BONDS (continued)

Notes: (continued)

(b) Convertible Bond of HMV Digit China

On 13 December 2016, the Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with a wholly-owned subsidiary of HMV Digit China (the "Purchaser") and HMV Digit China, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Time Edge Limited, a wholly-owned subsidiary of the Company and owns the entire issued share capital of Mystery Apex, for a total consideration of HK$50,000,000, which will be satisfied by the Purchaser by the issue of the convertible bond by HMV Digit China (the "Convertible Bond of HMV Digit China") at completion (the "Disposal of Time Edge"). The Disposal of Time Edge was completed on 26 April 2017 and accordingly, the Convertible Bond of HMV Digit China with a principal amount of HK$50,000,000, bearing an interest rate of 5% per annum receivable will be matured on 25 April 2021, was issued by HMV Digit China to the Group.

The Group has the right to convert the whole or any part of the outstanding principal amounts of HK$25,000,000, HK$37,500,000 and the remaining outstanding principal of the Convertible Bond of HMV Digit China during the period commencing from 24 months, 30 months and 36 months after issuance date respectively at a price of HK$0.313 per share initially, which was then adjusted to HK$0.305 per share upon the completion of placing by HMV Digit China on 12 June 2017. The Convertible Bond of HMV Digit China is transferable to any third party subject to the prior written consent from HMV Digit China.

At initial recognition, the fair value of the Convertible Bond of HMV Digit China was HK$61,239,000 (Note 37(a)) with debt component of HK$38,252,000 and the embedded derivative component of HK$22,987,000. In accordance with IAS39, the embedded derivatives (i.e. the conversion option) of the convertible bonds are separated from the host contracts because their economic characteristics and risk are not closely related to those of the host contracts and were accounted for as financial assets at FVTPL as set out in Note 19(iii).

Interest income of the debt component of the Convertible Bond of HMV Digit China for the year ended 31 December 2017 was calculated using the effective interest method by applying an effective interest rate of 11.9%.

Following adoption of IFRS 9 with effect from 1 January 2018, the Convertible Bond of HMV Digit China with carrying amount of HK$56,889,000 was reclassified as a financial asset at FVTPL in its entirety of the fair value of HK$52,656,000 (Note 19(iii)).

As at 31 December 2017, the convertible bonds were neither past due nor impaired. The Directors are of the opinion that no impairment was necessary in respect of the balances as there has not been a significant change in credit quality and the balances are considered to be fully recoverable. The Group does not hold any collateral or other credit enhancements over the convertible bonds.

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	HK$'000
Bond investments (Note (i))		
As at 1 January	**15,782**	–
Additions	**–**	22,895
Disposals	**(7,591)**	(8,103)
Gain on disposal	**28**	295
Fair value (loss)/gain for the year	**(1,160)**	695
As at 31 December	**7,059**	15,782
Derivative financial instruments (Note (ii))		
As at 1 January	**2,340**	2,340
Fair value loss for the year	**(2,340)**	–
As at 31 December	**–**	2,340
Subscription of the convertible bond of HMV Digit China and Brave Entertainment (Note (iii))		
As at 1 January as originally presented	**15,557**	7,618
Impact of initial adoption of IFRS 9		
— Reclassification from investments in convertible bonds	**41,332**	–
— Fair value loss recognised in accumulated losses	**(4,233)**	–
As at 1 January (Restated)	**52,656**	7,618
Subscription of the convertible bond of HMV Digit China (Note 18(b))	**–**	22,987
Fair value loss for the year	**(16,083)**	(15,048)
As at 31 December	**36,573**	15,557

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	2018 HK$'000	2017 HK$'000
Other financial assets (Note (v))		
As at 1 January as originally presented	–	–
Impact of initial adoption of IFRS 9		
— Reclassification from available–for–sale investments (Note 15)	962,883	–
As at 1 January (Restated)	962,883	–
Reclassification from interest in an associate (Note (iv))	–	603,838
Additions (Note (vi))	28,938	110,720
Gain on bargain purchase	–	47,360
Reclassification to available-for-sale investments (Note (vi))	–	(710,479)
Disposal of subsidiaries (Note 37(c))	(3,900)	–
Settlement of borrowings (Notes (vii) and 25)	(12,799)	–
Disposals (Note (viii))	(18,872)	–
Loss on disposals (Notes (vii) and (viii))	(171,735)	–
Fair value gain for the year — Zoox (Note (v))	75,286	–
Fair value loss for the year — HMV Digit China (Note (v))	(491,681)	(51,439)
Fair value gain for the year — other instruments	30,800	–
Exchange alignment	(514)	–
	398,406	–
Total	442,038	33,679
Categorised as:		
Current portion	36,638	18,122
Non–current portion	405,400	15,557
	442,038	33,679
Gain on bargain purchase	–	47,360
Fair value loss on financial assets at FVTPL, net	(405,178)	(65,792)
Loss/(Gain) on disposal of financial assets at FVTPL, net	(171,707)	295
Total net losses recognised in profit or loss relating to financial assets at FVTPL held by the Group for the year	(576,885)	(18,137)

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

(i) Bond investments represented publicly traded bonds at market value, which were classified as held for trading and designated by the Group as financial assets at FVTPL.

(ii) Derivative financial instruments represented the rights to certain shares of an investee company's capital stocks pursuant to the Simple Agreements for Future Equity. During the year ended 31 December 2018, the investment had a fair value loss of HK$2,340,000 as a result of poor performance of the entity.

(iii) For the year ended 31 December 2017, the embedded derivatives (i.e. the early redemption and conversion option of Convertible Bond of Brave Entertainment and the conversion option of Convertible Bond of HMV Digit China) of the convertible bonds are separated from the host contracts in accordance with IAS 39.

On 27 July 2017, the Group exercised its early redemption option by giving no less than thirty day's notice to the issuer, to fully redeem the Convertible Bond of Brave Entertainment on 31 August 2017. Accordingly, the fair value of the embedded derivatives became Nil (Note 18(a)), resulting in a fair value loss of HK$7,618,000 during the year ended 31 December 2017.

As at 31 December 2017, the fair value of the derivative component of the Convertible Bond of HMV Digit China was HK$15,557,000. Upon the adoption of IFRS 9, with effect from 1 January 2018, Convertible Bond of HMV Digit China (Note 18(b)) was reclassified in its entirety to financial assets at FVTPL at fair value of HK$52,656,000 (Note 18(b)). The fair values of the Convertible Bond of HMV Digit China as at 31 December 2018, 31 December 2017 and 26 April 2017 were valued by a firm of independent professional valuers, Grant Sherman Appraisal Limited. The debt component of the Convertible Bond of HMV Digit China is valued using discounted cash flow method. The derivative component of the Convertible Bond of HMV Digit China valued using the Binomial Option Pricing model.

The inputs into the valuations of the Convertible Bond of HMV Digit China as at 31 December 2018, 31 December 2017 and 26 April 2017 (date of subscription) were as follows:

	As at 31 December 2018	As at 31 December 2017	As at 26 April 2017 (date of subscribing the Convertible Bond of HMV Digit China)
Discount rate	**14.94%**	15.58%	11.91%
Expected volatility	**32.31%**	70.51%	69.25%
Expected life	**2.32 years**	3.32 years	4.00 years
Risk-free rate	**2.11%**	1.95%	1.69
Credit spread	**7.80%**	9.63%	6.21%
Expected dividend yield	**0%**	0%	0%

As at 31 December 2018, the fair value of the Convertible Bond of HMV Digit China was HK$36,573,000.

A fair value loss of HK$16,083,000 of the Convertible Bond of HMV Digit China was recognised in profit or loss during the year ended 31 December 2018.

As the discount rate is unobservable and the share volatility was derived from the historical prices which typically do not represent current market participant's expectations about future volatility, the fair values of the investment in convertible bonds/embedded derivatives in convertible bonds are categorised within level 3 of the fair value hierarchy.

(iv) Interest in HMV Digit China was classified from interest in an associate during the year ended 31 December 2017 as detailed in Note 17(b).

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(v) Following adoption of IFRS 9, with effect from 1 January 2018, the Group's investments in equity securities previously classified as available-for-sale investments are now classified as financial assets at FVTPL, of which the fair value changes are recognised through profit or loss. As at 31 December 2018, other financial assets represented interests in equity securities listed in Hong Kong of HK$30,888,000 and equity investments in unlisted entities of HK$367,518,000. During the year ended 31 December 2018, fair value loss of HK$491,681,000 (2017: HK$51,439,000) on interest in HMV Digit China was recognised with reference to the closing market price on the Stock Exchange as at 31 December 2018 (2017: 31 December 2017).

As at 31 December 2018, equity investments in unlisted entities mainly represented US$39,652,000 (equivalent to approximately HK$309,286,000) of series A preferred stocks of Zoox, a company incorporated in the United States of America with limited liability. Zoox is principally engaged in robotics and pioneering autonomous mobility. The fair value of the investment in Zoox as at 31 December 2018 is measured by a firm of independent professional valuers, Grant Sherman Appraisal Limited, using the Option Pricing Model under the equity value allocation method, with a fair value gain of approximately US$9,652,000 (equivalent to approximately HK$75,286,000) recognised in profit or loss during the year ended 31 December 2018. The inputs into the valuation as at 31 December 2018 were as follows:

	As at 31 December 2018
Time-to-liquidity event	**5 years**
Volatility	**48.32%**
Risk-free fate	**2.54%**
Dividend yield	**0%**

As the share volatility was derived from the historical prices which typically do not represent current market participant's expectations about future volatility, the fair value of the investment in Zoox is categorised within level 3 of the fair value hierarchy.

When volatility increases by 5% to 53.32%, the Group's investment in Zoox will increase by US$15,000 (equivalent to approximately HK$117,000); when volatility decreases by 5% to 43.32%, the Group's investment in Zoox will increase by US$441,000 (equivalent to approximately HK$3,440,000).

(vi) On 26 June 2018, the Group disposed of its entire equity interest in First Champion Global Limited with carrying amount of HK$4,779,000 in return for equity interests in an unlisted entity which is classified as financial assets at FVTPL at HK$5,600,000 (Note 36).

On 7 December 2018, the Group disposed of its entire issued share capital of Celestial Blue Limited and its subsidiary in return for cash and equity interests in an unlisted entity which is classified as financial assets at FVTPL at HK$3,900,000 (Note 37(c)).

During the year ended 31 December 2018, the Group acquired certain listed securities at market value of HK$19,438,000.

On 13 October 2017, the Group further acquired 640,000,000 shares of HMV Digit China from an independent third party at a consideration of HK$110,720,000. The purchase price of HMV Digit China's shares was set lower than market price and a gain on bargain purchase of HK$47,360,000 was recognised in profit and loss. The investment was then reclassified as available-for-sale investment at net carrying amount of HK$710,479,000 (Note 15(b)) as management intended to treat it as long-term investment. Details of the transaction was set out in the Company's announcement dated 15 October 2017.

(vii) On 19 November 2018, equity securities at market value of HK$12,799,000 was disposed of for settlement of a borrowing (Note 25). A loss on disposal of HK$14,997,000 was recognised.

(viii) On 4 December 2018, the Group disposed on-market of a total of 410,000,000 shares of HMV Digit China in a series of transactions at the average price of approximately HK$0.02415 per share for an aggregate gross sale proceeds of approximately HK$9,900,000. A loss on disposal of HK$149,484,000 was recognised.

During the year ended 31 December 2018, the Group disposed of other listed equity securities at market value of HK$8,972,000, resulting in net loss on disposal of HK$7,254,000.

Notes to the Financial Statements

For the year ended 31 December 2018

20. INVENTORIES

	2018 HK$'000	2017 HK$'000
Consumables	–	450

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 31 December 2018 HK$'000	As at 1 January 2018 HK$'000	As at 31 December 2017 HK$'000
Contract assets arising from:			
Performance under advertising contracts	1,687	653	–
Performance under game publishing service contracts	2,729	13,658	–
Performance under real-time video streaming contracts	109	142	–
	4,525	14,453	–

The Group has initially applied IFRS 9 and IFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018.

Upon the adoption of IFRS 15, HK$14,453,000 previously included as "Trade receivables" under "Trade and other receivables" (Note 22) were reclassified to contract assets (Note 2) as at 1 January 2018.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Contact assets represents revenue recognised from advertising, game publishing services contracts and real-time video streaming contracts yet to request payment from customers. The Group generally requests payment from customers within 12 months from the period where performance obligations are satisfied.

Notes to the Financial Statements

For the year ended 31 December 2018

21. CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(a) Contract assets (continued)

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	HK$'000
Within one year	4,525

The movements in the loss allowance for impairment of contract assets are as follows:

	2018 **HK$'000**
At beginning of the year as originally presented	**–**
Impact of initial adoption of IFRS 9	**2,022**
At beginning of year (Restated)	**2,022**
Impairment of contract assets (Note 9)	**11,947**
Exchange alignment	**(545)**
At the end of the year	**13,424**

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

Notes to the Financial Statements

For the year ended 31 December 2018

21. CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(b) Contract liabilities

	As at 31 December 2018 HK$'000	As at 1 January 2018 HK$'000	As at 31 December 2017 HK$'000
Contract liabilities arising from:			
Performance under advertising contracts	**2,132**	–	–

The Group has initially applied IFRS 15 using the cumulative effect method and no impact on the opening balance as at 1 January 2018.

Upon the adoption of IFRS 15, amounts previously included as "Other payables" under "Trade and other payables" (Note 24) were reclassified to contract liabilities (Note 2).

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Upfront payment is made by customers for certain advertising contracts, such receipts in advance remain as contract liabilities until the performance obligations are satisfied.

Movement in contract liabilities

	2018 HK$'000
Balance as at 1 January	**–**
Increase in contract liabilities as a result of receiving billing in advance	**4,435**
Decrease in contract liabilities as a result of recognising revenue during the year	**(2,218)**
Exchange alignment	**(85)**
Balance as at 31 December	**2,132**

All billings in advance of performance received are expected to be recognised as income within one year.

Notes to the Financial Statements

For the year ended 31 December 2018

22. TRADE AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade receivables	(a)	**7,554**	24,678
Less: impairment loss recognised		**(7,367)**	(9,806)
Trade receivables, net		**187**	14,872
Other receivables	(b)	**29,029**	90,652
Deposits and prepayments		**6,435**	28,516
		35,651	134,040
Categorised as:			
Current portion		**29,768**	134,040
Non-current portion		**5,883**	–
		35,651	134,040

Upon the adoption of IFRS 9, no adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables (Note 2).

Upon the adoption of IFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain performance obligations, were reclassified to "Contract Assets" and disclosed in Note 21(a) (Note 2).

The fair values of trade and other receivables are considered by the Directors not to be materially different from their carrying amounts.

22. TRADE AND OTHER RECEIVABLES (continued)

Notes:

(a) As at 31 December 2018 and 2017, ageing analysis of trade receivables based on invoice date and net of impairment losses is as follows:

	2018 **HK$'000**	2017 HK$'000
0–30 days	**8**	14,834
31–60 days	**48**	–
61–90 days	**–**	38
Over 90 days	**131**	–
	187	14,872

Further details on ageing analysis of trade receivables based on due date, the Group's credit policy and credit risk arising from trade debtors are set out in Note 39(A).

(b) As at 31 December 2018, other receivables under non-current portion included a loan with a principal amount of HK$5,883,000 (2017: Nil) to a former subsidiary, Prestige Creation Limited (disposed of during the year ended 31 December 2018 (Note 37(d))), which was secured, interest bearing at 8% per annum and repayable within 3 years. The loan was not past due nor impaired as at 31 December 2018.

As at 31 December 2018, other receivables under current portion included:

(i) A loan with a principal amount of HK$12,519,000 under current portion (2017: HK$12,519,000) to a shareholder of the Group's investee company, which was secured, interest bearing at 5% per annum. As at 31 December 2018, the loan with a carrying amount of HK$13,144,000 was past due for less than one year and was fully impaired.

(ii) A loan with a principal amount of HK$25,000,000 (31 December 2017: HK$25,000,000) to a wholly-owned subsidiary of the Group's investee company, which was unsecured, interest bearing at 5% per annum and fully repaid during the year.

(iii) A loan to an independent third party with a principal amount of US$1,970,000 (equivalent to approximately HK$15,366,000) (2017: US$3,000,000 (equivalent to approximately HK$23,400,000)), which was secured, interest bearing at 5% per annum. As at 31 December 2018, the loan was past due for less than one year and was not impaired as the balance was fully repaid in February 2019.

(iv) A loan to an independent third party with a principal amount of US$3,000,000 (2017: US$3,000,000 (equivalent to approximately HK$23,400,000)), which was unsecured, interest bearing at 5% per annum, was fully repaid during the year.

(v) Convertible Bond of Brave Entertainment with only debt component at a carrying amount of HK$19,056,000 as at 1 January 2018, which was classified from investments in convertible bonds (Note 18(a)) to loan receivables upon the adoption of IFRS 9. Interest income amounted to HK$3,620,000 (2017: HK$5,436,000) from the debt component for the years ended 31 December 2018 and 2017 was calculated using the effective interest method by applying an effective interest rate of 31.9%. The debt component was unsecured and was past due for less than one year as at 31 December 2018. A provision for impairment of HK$21,985,000 was made out of the net carrying amount of HK$22,676,000 as at 31 December 2018 with reference to its recoverable amount.

As at 31 December 2017, a loan with carrying amount of HK$3,437,000 which was lent to an investee, at a principal amount of HK$3,120,000, was unsecured, interest bearing at 10% per annum and repayable on 1 February 2019. The loan was fully impaired as at 31 December 2017 as management considered the recoverability of the loan was remote.

Except as described above, all remaining other receivables as at 31 December 2018 and 2017 were neither past due nor impaired.

Notes to the Financial Statements

For the year ended 31 December 2018

23. CASH AND CASH EQUIVALENTS

	2018 **HK$'000**	2017 HK$'000
Cash and cash equivalents	**40,538**	35,358

Cash at bank earns interest at floating rates based on daily bank balances and deposit rates.

As at 31 December 2018, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$11,811,000 (2017: HK$19,184,000). RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks which are authorised to conduct foreign exchange business.

As at 31 December 2018, the Group had bank deposits of New Israeli Shekel ("NIS") 442,000 (equivalent to approximately HK$925,000) (2017: NIS361,000 (equivalent to approximately HK$808,000)), being utilised by a subsidiary as security guarantees in respect of tenancy agreement and a customer contract.

24. TRADE AND OTHER PAYABLES

	Note	**2018** **HK$'000**	2017 HK$'000
Trade payables	(a)	**5,231**	9,398
Other payables		**6,499**	3,688
Accrued charges		**6,072**	5,585
		17,802	18,671

Note:

(a) As at 31 December 2018 and 2017, the ageing analysis of trade payables based on invoice date is as follows:

	2018 **HK$'000**	2017 HK$'000
0–30 days	**4,419**	6,346
31–60 days	**–**	332
61–90 days	**–**	533
Over 90 days	**812**	2,187
	5,231	9,398

Notes to the Financial Statements

For the year ended 31 December 2018

25. BORROWINGS

On 17 July 2017, an independent third party provided a three-year loan to the Group with a principal amount of HK$8,894,600 secured by certain shares of one of the Group's investee companies, bearing interest at the rate of 4% per annum payable quarterly in arrears. On 19 November 2018, the loan with carrying amount of HK$8,974,000 was settled by the secured shares to the lender, which has a market value of HK$12,799,000 (Note 19(vii)) on the disposal date, resulting in a loss on settlement of a borrowing of HK$3,825,000 recognised in profit or loss (Note 9).

As at 31 December 2018, borrowings represent an unsecured loan from a former shareholder of a subsidiary, bearing interest at the rate of 10% per annum and repayable within one year from the end of the reporting period.

	2018	2017
	HK$'000	HK$'000
Borrowings	**1,037**	9,033

The borrowings are scheduled to be repaid as follows:

	2018	2017
	HK$'000	HK$'000
On demand or within one year	**1,037**	356
More than one year, but not exceeding two years	**–**	356
More than two years, but not exceeding three years	**–**	8,321
	1,037	9,033
Categorised as:		
Current portion	**1,037**	–
Non-current portion	**–**	9,033
	1,037	9,033

Notes to the Financial Statements

For the year ended 31 December 2018

26. CONVERTIBLE BONDS

2015 HK$140 million Convertible Bonds

In July 2015, the Company entered into a subscription agreement (the "Subscription Agreement") with Hong Kong HNA Holding Group Co. Limited ("HNA") pursuant to which HNA agreed to subscribe the convertible bonds in principal amount of HK$140,000,000, bearing a compound interest rate of 8% per annum (the "2015 $140 million Convertible Bonds"). On 20 July 2015, all the conditions precedent set out in the Subscription Agreement were fulfilled and that the issue of the 2015 HK$140 million Convertible Bonds was completed.

The 2015 HK$140 million Convertible Bonds is convertible at the option of the bondholder at any business day during the period commencing from the date falling on the first anniversary of the issue date up to and including the date falling seven days prior to the fifth anniversary of the date of issue of the 2015 HK$140 million Convertible Bonds (the "Maturity Date") at a price of HK$0.325 per share initially. The 2015 HK$140 million Convertible Bonds is only transferrable with prior notification to the Company and may be transferred in integral multiples of HK$1,000,000. The Company may, having given not less than thirty days' notice to the bondholder, redeem the 2015 HK$140 million Convertible Bonds then outstanding, at a premium of 10% above the outstanding principal amount of the 2015 HK$140 million Convertible Bonds, in integral multiples of HK$1,000,000 at any time prior to the Maturity Date and subject to bondholder's agreement.

The conversion option embedded in the 2015 HK$140 million Convertible Bonds meets the definition of equity instrument of the Company, and is classified as equity and presented separately from the liability component of the 2015 HK$140 million Convertible Bonds.

The carrying values of the liability component of the convertible bonds recognised in the consolidated statement of financial position at the end of the reporting period are as follows:

	2018	2017
	HK$'000	HK$'000
Net carrying amounts as at 1 January	**167,742**	154,743
Effective interest expense for the year (Note 8)	**14,083**	12,999
Net carrying amounts as at 31 December (included in non-current liabilities)	**181,825**	167,742

Interest expenses of the 2015 HK$140 million Convertible Bonds for the year ended 31 December 2018 are calculated using effective interest method by applying effective interest rate of 8.3% (2017: 8.3%) per annum to the liability component.

Notes to the Financial Statements

For the year ended 31 December 2018

27. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under liability method using the rates of taxation prevailing in the countries in which the Group's subsidiaries operate.

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value adjustments arising from the acquisition of subsidiaries and business	
	2018 **HK$'000**	2017 HK$'000
As at 1 January	**12,246**	9,150
Acquisition of GeneSort Group (Note 38)	**–**	9,557
Credited to profit or loss (Note 10)	**(1,700)**	(6,461)
As at 31 December	**10,546**	12,246

Deferred tax credit arising from deferred tax liabilities recognised

The amount credited to profit or loss relating to the amortisation of intangible assets.

Deferred tax assets/(liabilities) not recognised

The major deferred tax assets/(liabilities) not recognised in the consolidated statement of financial position are as follows:

	Unutilised tax losses* HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
As at 31 December 2018	**5,574**	**(157)**	**5,417**
As at 31 December 2017	8,801	3	8,804

* The tax losses of subsidiaries operating in Hong Kong can be carried forward indefinitely if certain criteria can be met under the respective tax jurisdictions.

Tax losses of subsidiaries operating in the PRC can be carried forward for five years.

No recognition of potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential deferred tax assets is uncertain.

Pursuant to the PRC Enterprise Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements. The applicable tax rate for the Group is 10%.

As at 31 December 2018, no deferred tax liability has been recognised on temporary difference in relation to the undistributed earnings of approximately HK$560,000 (2017: HK$1,495,000) of subsidiaries in the PRC because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not reverse in foreseeable future.

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For the year ended 31 December 2018

28. SHARE CAPITAL

	Number of ordinary shares	Number of redeemable convertible preference shares ("RCPSs")	Nominal value US$'000	Equivalent nominal value HK$'000
Authorised				
As at 1 January 2017 (par value of US$0.01 each)	19,000,000,000	1,000,000,000	200,000	1,560,000
Capital reduction of 1 ordinary share with par value of US$0.01 each into 100 shares with par value of US$0.0001 each and 1 RCPS with par value of US$0.01 each into 100 RCPSs with par value of US$0.0001 each ("Capital Reduction") (Note (c))	1,881,000,000,000	99,000,000,000	–	–
As at 31 December 2017 and 1 January 2018 (par value of US$0.0001 each)	**1,900,000,000,000**	**100,000,000,000**	**200,000**	**1,560,000**
Share consolidation of 20 ordinary shares with par value of US$0.0001 each into 1 ordinary share with par value of US$0.002 each and 20 RCPSs with par value of US$0.0001 each into 1 RCPS with par value of US$0.002 each ("Share Consolidation") (Note (d))	**(1,805,000,000,000)**	**(95,000,000,000)**	**–**	**–**
As at 31 December 2018 (par value of US$0.002 each)	**95,000,000,000**	**5,000,000,000**	**200,000**	**1,560,000**
Issued and fully paid				
As at 1 January 2017 (par value of US$0.01 each)	9,257,611,734	–	92,576	722,094
Remuneration shares issued for consultancy service (Note (a))	97,500,000	–	975	7,605
Issue of consideration shares for acquisition of subsidiaries (Note (b))	1,352,028,376	–	13,520	105,458
Capital Reduction (Note (c))	–	–	(106,000)	(826,805)
As at 31 December 2017 and 1 January 2018 (par value of US$0.0001 each)	**10,707,140,110**	**–**	**1,071**	**8,352**
Remuneration shares issued for consultancy service (Note (a))	**97,500,000**	**–**	**9**	**76**
Share Consolidation (Note (d))	**(10,264,408,105)**	**–**	**–**	**–**
As at 31 December 2018 (par value of US$0.002 each)	**540,232,005**	**–**	**1,080**	**8,428**

Notes to the Financial Statements

For the year ended 31 December 2018

28. SHARE CAPITAL (continued)

Notes:

(a) On 25 May 2017, the Company has issued 97,500,000 remuneration shares at an issue price of HK$0.08 per share as compensation for the consultancy service as detailed in Note 29(g).

On 28 May 2018, the Company has issued 97,500,000 remuneration shares at an issue price of HK$0.08 per share a compensation for the consultancy service as detailed in Note 29(g).

(b) On 11 July 2017, 1,352,028,376 ordinary shares were issued to vendors of GeneSort Group in respect of consideration for the acquisition of approximately 73.7% equity interest in GeneSort Group.

(c) On 9 June 2017, the Company proposed to implement the Capital Reduction involving the reduction of the par value of each issued shares from US$0.01 to US$0.0001 by cancelling the paid up share capital to the extent of US$0.0099 per issued ordinary share of the Company so that following such reduction, each issued ordinary share with a par value of US$0.01 in the share capital of the Company shall become one new ordinary share with a par value of US$0.0001; and immediately following the Capital Reduction becoming effective, each authorised but unissued ordinary share will be sub-divided into 100 unissued new ordinary shares with a par value of US$0.0001 each and each authorised but unissued RCPS will also be sub-divided into 100 unissued RCPSs with a par value of US$0.0001 each. The proposal was duly passed by the shareholders of the Company by way of special resolution at the extraordinary general meeting of the Company convened on 24 July 2017 and became effective subsequent registration with the Registrar of Companies in the Cayman Islands on 27 November 2017. Accordingly, the issued share capital of the Company was reduced from HK$835,157,000 to HK$8,352,000. The credit arising from the Capital Reduction was applied towards offsetting the entire amount of the accumulated losses of the Company of HK$123,850,000 as at 27 November 2017 with the remaining balance of HK$702,955,000 to be retained at the capital reduction reserve account of the Company.

(d) On 13 November 2018, the Company proposed to implement the consolidation on the basis that every twenty (20) issued and unissued shares of the Company or redeemable convertible preference shares of the Company with par value of US$0.0001 each into one (1) consolidated share of the Company or consolidated redeemable convertible preference share of the Company with par value of US$0.002 each ("Share Consolidation"). The proposal was duly passed by the shareholders of the Company by way of ordinary resolution at the extraordinary general meeting of the Company convened on 13 December 2018 and became effective on 14 December 2018. Accordingly, the number of issued ordinary shares of the Company was reduced from 10,804,640,110 to 540,232,005. Further details of the Share Consolidation are set out in the Company's circular dated 23 November 2018.

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For the year ended 31 December 2018

29. RESERVES

Group

	Notes	As at 31 December 2018 HK$'000	(Restated) As at 1 January 2018 HK$'000	As at 31 December 2017 HK$'000
Share premium	(a)	**762,257**	756,387	756,387
Capital reduction reserve	(b)	**702,955**	702,955	702,955
Convertible bonds equity reserve	(c)	**1,921**	1,921	1,921
Capital reserve	(d)	**2,112**	2,112	2,112
Capital redemption reserve	(e)	**601**	601	601
Share-based compensation reserve	(f)	**57,159**	62,165	62,165
Remuneration share reserve	(g)	**10,400**	7,820	7,820
Investment revaluation reserve	(h)	**–**	–	(2,876)
Foreign exchange reserve	(i)	**(3,048)**	(839)	(839)
Other reserve	(j)	**(20,798)**	(21,619)	(21,619)
Statutory surplus reserve	(k)	**5,163**	5,163	5,163
Accumulated losses		**(1,149,683)**	(389,429)	(382,320)
		369,039	1,127,237	1,131,470

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on pages 64 to 65. Nature and purpose of the reserves is as follows:

(a) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) Capital reduction reserve

This represents the credit arising from the Capital Reduction by reducing the par value of each of the issued ordinary shares from US$0.01 to US$0.0001 by cancelling the paid up share capital to the extent of US$0.0099 per issued ordinary share. At the effective date of the Capital Reduction, the credit arising as a result was applied towards offsetting the accumulated losses of the Company as at the date, thereby reducing the accumulated losses of the Company. The balance of credit was transferred to the capital reduction reserve account of the Company which may be utilised by the Directors as a capital reduction reserve.

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29. RESERVES (continued)

Group (continued)

(c) Convertible bonds equity reserve

This represents the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 3(i)(ii).

(d) Capital reserve

This represents a capital reserve arose from the acquisition of a subsidiary in 2000.

(e) Capital redemption reserve

This represents the repurchase of shares of the Company listed on the Stock Exchange. These repurchased shares were cancelled upon repurchase and, accordingly, the nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to the accumulated losses and share premium accounts.

(f) Share-based compensation reserve

This relates to share options granted to employees, consultants and directors under the Company's Share Option Scheme. Further information about share-based payments to directors, consultants and employees and other eligible person is set out in Note 30.

(g) Remuneration share reserve

On 5 May 2017, the Group entered into a consulting service agreement with an independent third party (the "Consultant"), pursuant to which, the Group engaged the Consultant to provide consultancy services (the "Consultancy Services") for a term of 5 years commencing from 5 May 2017. As consideration for the Consultancy Services, the Group will pay the Consultant a total sum of HK$39,000,000 by way of the issue and allotment (or procure the issue and allotment of) 487,500,000 new ordinary shares of the Company at an issue price of HK$0.08 per share in five tranches, of which the first tranche of 97,500,000 new ordinary shares were issued on 25 May 2017 and the second tranche of 97,500,000 new ordinary shares were issued on 28 May 2018. Further details were set out in the Company's announcement dated 5 May 2017.

(h) Investment revaluation reserve

Prior to 1 January 2018, the investment revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in accordance with IAS 39 in other comprehensive income, net of amounts reclassified to profit or loss when those investments have been disposed. This amount has been reclassified to accumulated losses upon the initial adoption of IFRS 9 as at 1 January 2018 (Note 2).

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29. RESERVES (continued)

Group (continued)

(i) Foreign exchange reserve

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in the foreign exchange reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in Note 3(e).

(j) Other reserve

Other reserve represented the difference between the consideration received and the carrying amount of net assets attributable to the reduction of equity interest in HMV Brave Co., Ltd. disposed of to non-controlling shareholders; difference between the consideration paid and carrying amount of net assets attributable to the acquisition of the remaining 30% of the issued share capital of HGGL; and difference between the consideration received and carrying amount of net assets attributable to the disposal of 22.7% equity interest in GeneSort Ltd. (Note 36).

(k) Statutory surplus reserve

In accordance with the PRC Companies Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to statutory surplus reserve. Such reserve may be used to reduce any loss incurred by the subsidiary or be capitalised as paid-up capital of the subsidiary. The statutory surplus reserve is non-distributable.

(l) Distributable reserves

As at 31 December 2018, the aggregate amount of reserves available for distribution to owners of the Company was HK$315,529,000 (2017: HK$1,077,022,000).

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For the year ended 31 December 2018

29. RESERVES (continued)

Company

	Share premium HK$'000	Capital reduction reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Remuneration share reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2017	802,660	–	1,921	2,112	601	49,355	–	(445,007)	411,642
Loss and total comprehensive income for the year	–	–	–	–	–	–	–	(84,688)	(84,688)
Share-based compensation	–	–	–	–	–	15,759	–	–	15,759
Remuneration shares issued for consultancy service (Note 28(a))	(1,657)	–	–	–	–	–	7,820	–	6,163
Issue of consideration shares for acquisition of subsidiaries	(44,616)	–	–	–	–	–	–	–	(44,616)
Lapse of share options	–	–	–	–	–	(2,949)	–	2,949	–
Capital Reduction (Note 28(c))	–	702,955	–	–	–	–	–	123,850	826,805
As at 31 December 2017 and 1 January 2018	**756,387**	**702,955**	**1,921**	**2,112**	**601**	**62,165**	**7,820**	**(402,896)**	**1,131,065**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(769,960)**	**(769,960)**
Remuneration shares issued for consultancy service (Note 28(a))	**5,870**	**–**	**–**	**–**	**–**	**–**	**2,580**	**–**	**8,450**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**(5,006)**	**–**	**5,006**	**–**
As at 31 December 2018	**762,257**	**702,955**	**1,921**	**2,112**	**601**	**57,159**	**10,400**	**(1,167,850)**	**369,555**

Note: The Group, including the Company, has initially applied IFRS 15 and IFRS 9 as at 1 January 2018. Under the transition methods chosen, comparative information is not restated (Note 2).

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30. SHARE OPTION SCHEME

The Company's share option scheme which was adopted on 27 March 2002 (the "2002 Share Option Scheme") was expired and a new share option scheme (the "2014 Share Option Scheme") was adopted by an ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company on 15 April 2014 (the "Adoption Date"). The 2014 Share Option Scheme constitutes a share option scheme governed by Chapter 23 of the GEM Listing Rules and will remain in force for 10 years from the Adoption Date.

Upon the expiry of the 2002 Share Option Scheme, no further option can be offered thereunder but any options granted prior to such expiry but not yet exercised shall continue to be valid and exercisable.

The Company operates both the 2002 Share Option Scheme and the 2014 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Pursuant to the 2014 Share Option Scheme, the Directors may grant options to eligible participants persons (as defined in the 2014 Share Option Scheme) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

2002 Share Option Scheme

The remaining share options granted under the 2002 Share Option Scheme are for other eligible participants and are exercisable as follows:

(a) the first 30% of the options between the first and tenth anniversary of the date of grant;

(b) the next 30% of the options between the second and tenth anniversary of the date of grant; and

(c) the remaining options between the third and tenth anniversary of the date of grant.

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30. SHARE OPTION SCHEME (continued)

2002 Share Option Scheme (continued)

The following table discloses movements in the outstanding options granted by the Company under the 2002 Share Option Scheme during the years ended 31 December 2018 and 2017:

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (dd/mm/yyyy)	Exercise price per share (Note 1) HK$	Number of share options: Balance as at 1 January 2018	Granted during the year	Exercised during the year	Adjusted upon the Share Consolidation (Note 1)	Cancelled/ lapsed during the year	Balance as at 31 December 2018	Options exercisable as at 31 December 2018
2018	11/02/2008	Former directors and former employees	11/02/2009 to 10/02/2018	2.22	4,256,683	–	–	–	(4,256,683)	–	–
	29/12/2008	Former directors and former employees	29/12/2009 to 28/12/2018	4.40	818,336	–	–	(777,420)	(40,916)	–	–
	07/10/2010	Former directors and former employees	07/10/2011 to 06/10/2020	4.00	2,370,561	–	–	(2,252,033)	–	118,528	118,528
	16/03/2012	Former directors and former employees	16/03/2013 to 15/03/2022	4.00	5,342,580	–	–	(5,075,451)	–	267,129	267,129
	14/05/2012	Former directors and former employees	14/05/2013 to 13/05/2022	3.80	5,859,368	–	–	(5,566,400)	–	292,968	292,968
				Total	18,647,528	–	–	(13,671,304)	(4,297,599)	678,625	678,625
			Weighted average exercise price (HK$)		0.66	–	–	3.94	2.24	3.91	

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (dd/mm/yyyy)	Exercise price per share HK$	Number of share options: Balance as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2017	Options exercisable as at 31 December 2017
2017	29/01/2007	Former directors and former employees	29/01/2008 to 28/01/2017	4.51	809,287	–	–	(809,287)	–	–
	11/02/2008	Former directors and former employees	11/02/2009 to 10/02/2018	2.22	4,256,683	–	–	–	4,256,683	4,256,683
	29/12/2008	Former directors and former employees	29/12/2009 to 28/12/2018	0.22	818,336	–	–	–	818,336	818,336
	07/10/2010	Former directors and former employees	07/10/2011 to 06/10/2020	0.20	2,370,561	–	–	–	2,370,561	2,370,561
	16/03/2012	Former directors and former employees	16/03/2013 to 15/03/2022	0.20	5,342,580	–	–	–	5,342,580	5,342,580
	14/05/2012	Former directors and former employees	14/05/2013 to 13/05/2022	0.19	5,859,368	–	–	–	5,859,368	5,859,368
				Total	19,456,815	–	–	(809,287)	18,647,528	18,647,528
			Weighted average exercise price (HK$)		0.82	–	–	4.51	0.66	

No option was granted or exercised under the 2002 Share Option Scheme during the years ended 31 December 2018 and 2017.

Notes to the Financial Statements

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30. SHARE OPTION SCHEME (continued)

2002 Share Option Scheme (continued)

4,297,599 (2017: 809,287) options were lapsed under the 2002 Share Option Scheme upon expiry of the life of the options during the year ended 31 December 2018.

The weighted average remaining contractual life of the options outstanding under the 2002 Share Option Scheme as at 31 December 2018 was approximately 3.02 years (2017: 3.0 years).

No share-based compensation expense was recognised under the 2002 Share Option Scheme during the years ended 31 December 2018 and 2017.

The total number of share available for issue under the 2002 Share Option Scheme is 678,625 representing approximately 0.126% of the Company's total number of issued shares at the date of this report.

2014 Share Option Scheme

The following table discloses movements in the outstanding option granted by the Company under the 2014 Share Option Scheme during the years ended 31 December 2018 and 2017:

					Number of share options							
Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (Notes)	Exercise price per share (Note 1) HK$	Balance as at 1 January 2018	Granted during the year	Exercised during the year	Transferred during the year	Adjusted upon the Share Consolidation (Note 1)	Cancelled/ Lapsed during the year	Balance as at 31 December 2018	Options exercisable as at 31 December 2018
2018	15/05/2014	Former directors	(2)	3.20	54,684,000	–	–	–	(51,949,800)	–	2,734,200	2,734,200
	20/06/2014	Directors and former directors	(3)	3.20	32,465,250	–	–	–	(30,841,988)	–	1,623,262	1,623,262
	01/04/2016	Directors and former directors	(4), (7)	4.94	157,000,000	–	–	12,000,000	(160,550,000)	–	8,450,000	8,450,000
	19/05/2017	Directors and former directors	(6), (7)	1.56	38,000,000	–	–	68,000,000	(100,700,000)	–	5,300,000	5,300,000
					282,149,250	–	–	80,000,000	(344,041,788)	–	18,107,462	18,107,462
	20/06/2014	Other eligible participants	(5)	3.20	35,402,750	–	–	–	(33,632,612)	–	1,770,138	1,770,138
	01/04/2016	Other eligible participants	(4), (7)	4.94	48,416,000	–	–	(12,000,000)	(34,595,200)	–	1,820,800	1,820,800
	19/05/2017	Other eligible participants	(6), (7)	1.56	304,192,000	–	–	(68,000,000)	(224,382,400)	–	11,809,600	11,809,600
					388,010,750	–	–	(80,000,000)	(292,610,212)	–	15,400,538	15,400,538
				Total	670,160,000	–	–	–	(636,652,000)	–	33,508,000	33,508,000
		Weighted average exercise price (HK$)			0.145	–	–	–	2.896	–	2.896	

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30. SHARE OPTION SCHEME (continued)

2014 Share Option Scheme (continued)

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (Notes)	Exercise price per share HK$	Number of share options: Balance as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 31 December 2017	Options exercisable as at 31 December 2017
2017	15/05/2014	Former directors	(2)	0.16	54,684,000	–	–	–	54,684,000	54,684,000
	20/06/2014	Directors and former directors	(3)	0.16	32,465,250	–	–	–	32,465,250	32,465,250
	01/04/2016	Directors and former directors	(4), (8)	0.247	157,000,000	–	–	–	157,000,000	157,000,000
	19/05/2017	Directors and former directors	(6)	0.078	–	38,000,000	–	–	38,000,000	38,000,000
					244,149,250	38,000,000	–	–	282,149,250	282,149,250
	20/06/2014	Other eligible participants	(5)	0.16	35,402,750	–	–	–	35,402,750	35,402,750
	01/04/2016	Other eligible participants	(4), (8)	0.247	60,320,000	–	–	(11,904,000)	48,416,000	48,416,000
	19/05/2017	Other eligible participants	(6)	0.078	–	308,192,000	–	(4,000,000)	304,192,000	304,192,000
					95,722,750	308,192,000	–	(15,904,000)	388,010,750	388,010,750
				Total	339,872,000	346,192,000	–	(15,904,000)	670,160,000	670,160,000
				Weighted average exercise price (HK$)	0.216	0.078	–	0.204	0.145	

Notes:

(1) The exercise prices of the share option and the number of share options were adjusted for the Share Consolidation made by the Company on 14 December 2018.

(2) Exercisable from 15 May 2014 to 14 May 2024.

(3) Exercisable from 20 June 2014 to 19 June 2024.

(4) Divided into two tranches exercisable from 1 October 2016 and 1 April 2017, respectively to 31 March 2026.

(5) Divided into two tranches exercisable from 20 June 2014 and 20 June 2015, respectively to 19 June 2024.

(6) Exercisable from 19 May 2017 to 18 May 2027.

(7) Ms. Chan Suet Ngan, Mr. Hu Kenneth and Ms. Qian Alexandra Gaochuan were appointed as Directors of the Company on 1 January 2018, such options were transferred from the category of “other eligible participants” to “Directors”.

(8) Ms. Fong Janie was appointed as a non-executive director of the Company on 15 November 2016, such share options were transferred from “Other eligible participants” to “Directors”.

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30. SHARE OPTION SCHEME (continued)

2014 Share Option Scheme (continued)

No option was exercised under the 2014 Share Option Scheme during the years ended 31 December 2018 and 2017.

During the year ended 31 December 2018, no (2017: 15,904,000) options were lapsed upon resignation of other eligible participants.

The weighted average remaining contractual life of the options outstanding under the 2014 Share Option Scheme as at 31 December 2018 was approximately 7.50 years (2017: 8.50 years).

The closing price of the shares of the Company quoted on the Stock Exchange on 18 May 2017, being the business date immediately before the date on which share options were granted, was HK$0.060.

No (2017: 346,192,000) options were granted under the 2014 Share Option Scheme during the year ended 31 December 2018. The fair value of the options granted during the year ended 31 December 2017, measured at the date of grant, totalled approximately HK$12,510,000.

The following significant assumptions were used to derive the fair value of the share options granted during the year ended 31 December 2017, using the Polynomial Option Pricing Model:

(i) an expected volatility is 100%;

(ii) no dividend yield;

(iii) the estimated expected life of the options granted is 10 years; and

(iv) the risk free rates are based on the yield of 10 years of government bonds of Hong Kong Monetary Authority.

In determining the volatility, the historical volatility of the Company prior to the issuance of share options has been considered. The volatility is measured based on the daily price change and the volatility measured on daily basis provided a reasonable estimation for the expected volatility is considered.

No share-based compensation expense (2017: HK$15,759,000) was recognised under the 2014 Share Option Scheme in the consolidated statement of profit or loss for the year ended 31 December 2018 (Note 13(d)).

The total number of share available for issue under the 2014 Share Option Scheme is 33,508,000 representing approximately 6.20% of the Company's total number of issued shares at the date of this report.

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31. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these financial statements, details of other significant transactions between the Group and other related parties during the years ended 31 December 2018 and 2017 are as follows:

(a) Remuneration for key management personnel of the Group, including amounts paid to the Directors and the highest paid employees other than the Directors is as follows:

	2018	2017
	HK$'000	HK$'000
Fees	**1,405**	2,225
Salaries, allowances and benefits in kind	**8,119**	12,078
Retirement fund contributions	**120**	52
Share-based compensation expense	**–**	3,991
	9,644	18,346

(b) During the year, the Group had the following related party transactions:

		2018	2017
	Notes	**HK$'000**	HK$'000
Consideration received in relation to disposal of a subsidiary to a related company (Note 37(c))	(i)	**7,800**	–
Interest income on loaned securities to an investee	(i),(ii)	**1,983**	–
Interest income on a loan to a shareholder of an investee	(i)	**261**	629
Interest income on a loan to a subsidiary of an investee/an associate	(i)	**277**	1,248
Leasing income from a related company, EVG Holdings Pte. Ltd.	(iii)	**100**	–
Leasing income from a related company, HMV Kafe Ltd.	(iv)	**39**	–

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31. RELATED PARTY TRANSACTIONS (continued)

(b) During the year, the Group had the following related party transactions: (continued)

Notes:

(i) The amounts were charged based on terms mutually agreed between the relevant parties.

(ii) On 22 March 2018, the Group entered into a Stock Borrowing Agreement ("Agreement") with HMV Digit China as the borrower, whereas the Group has agreed to make available to the borrower a loan of the loaned securities up to 300,000,000 shares in HMV Digit China, that were held by a subsidiary of the Group, in favour of an investor as a security for performance of certain obligations by HMV Digit China, in relation to its issuance of convertible bonds and notes to the investor. Under the Agreement, HMV Digit China has agreed to pay a borrowing fee on the value of the loaned securities at a rate of 3.5% per annum. During the year ended 31 December 2018, interest income amounted to HK$1,983,000 was recognised as other net income in profit or loss (Note 7).

The loan is guaranteed and indemnified by an executive director of HMV Digit China against all costs, losses, damages, demands and expenses in which the Group may sustain or incur as a result of the whole or any of the obligations being defaulted or becoming irrecoverable from the borrower. As at 31 December 2018, the fair value of the loaned securities was HK$3,600,000 by reference to market value.

(iii) Mr. Wu King Shiu, Kelvin, a director and the Chairman of the Company, is also a director of EVG Holdings Pte. Ltd. of which Mr. Wu King Shiu, Kelvin was a member of key management personnel. The charges by the related company were in accordance with the terms of the underlying agreements.

(iv) Ms. Li Mau, spouse of Mr. Wu King Shiu, Kelvin, a director and the Chairman of the Company, is also a director of HMV Kafe Ltd. of which Ms. Li Mau was a member of key management personnel. The charges by the related company were in accordance with the terms of the underlying agreements.

Save as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

(c) As at 31 December 2018 and 2017, the balances due from/(to) related parties were:

	2018 **HK$'000**	2017 HK$'000
Loan to a shareholder of an investee company (Note 22(b))	**–**	12,519
Loan to a wholly-owned subsidiary of the Group's investee company (Note 22(b))	**–**	25,000

32. COMMITMENTS

(a) Operating leases

As at 31 December 2018 and 2017, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings are payable as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**4,758**	5,082
In the second to fifth years	**13,556**	15,185
	18,314	20,267

The Group leased certain properties under operating leases in Hong Kong, the PRC, Korea and Israel. The leases run for an initial period of 1 year to 6 years (2017: 1 year to 6 years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors and do not include any terms of contingent rentals.

(b) Capital commitments

Other than the above, the Group had no material capital commitments as at 31 December 2018 and 2017.

33. CONTINGENCIES

As at 31 December 2018 and 2017, the Group had no material contingent liabilities.

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34. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH USED IN OPERATIONS

	Notes	2018 HK$'000	(Re-presented) 2017 HK$'000
Cash flows from operating activities			
Loss before taxation from continuing operations		**(770,537)**	(431,597)
Profit/(Loss) before taxation from discontinued operations		**4,800**	(2,439)
		(765,737)	(434,036)
Adjustments for:			
Loss on disposal of property, plant and equipment	9	**9**	67
Write-off of property, plant and equipment	14	**413**	109
Depreciation of property, plant and equipment	14	**2,617**	1,394
Impairment of available-for-sale investments	15	**–**	1,560
Amortisation of intangible assets	16	**18,035**	19,229
Impairment of goodwill	16	**27,999**	27,900
Impairment of other intangible assets	16	**3,674**	17,658
Loss on disposal of available-for-sale investments		**–**	547
Fair value loss on financial assets at fair value through profit or loss, net	19	**576,885**	18,137
Impairment of contract assets	21(a)	**11,947**	–
Impairment of loan receivables	9	**35,129**	3,437
Loss on settlement of borrowings	9	**3,825**	–
Interest income		**(7,420)**	(17,144)
Finance costs	8	**14,379**	13,493
Share-based payments		**8,526**	13,768
Share-based compensation expense	13(d)	**–**	15,759
Gain on disposal of subsidiaries	37	**(9,816)**	(30,934)
Gain on deemed disposal of equity interest in an associate	7	**–**	(31,750)
Share of losses of an associate, net of tax	17	**–**	2,313
Loss on reclassification on derecognition of interest in an associate		**–**	899
Loss on reclassification of interest in an associate to financial assets at fair value through profit or loss	17(b)	**–**	286,925
Foreign exchange loss/(gains), net		**1,883**	(1,280)
Operating loss before working capital changes		**(77,652)**	(91,949)
Decrease/(Increase) in inventories		**450**	(377)
Increase in contract assets		**(2,019)**	–
Decrease in trade and other receivables		**6,887**	39,885
Increase in contract liabilities		**2,132**	–
Increase/(Decrease) in trade and other payables		**5,438**	(22,395)
Cash used in operations		**(64,764)**	(74,836)

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35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018, the Group had the following major non-cash transaction:

On 28 May 2018, 97,500,000 new ordinary shares were issued at an issue price of HK$0.08 per share as the compensation for the consultancy service as detailed in Note 28(a). As market price of the Company's ordinary shares at the date of grant was HK$0.061, share capital of the Company was increased by approximately HK$76,000 and share premium accounts of the Company was increased by approximately HK$5,870,000.

During the year ended 31 December 2017, the Group had the following major non-cash transaction:

On 25 May 2017, 97,500,000 new ordinary shares were issued at an issue price of HK$0.08 per share as the compensation for the consultancy service as detailed in Note 28(a). As market price of the Company's ordinary shares at the date of grant was HK$0.061, share capital of the Company was increased by approximately HK$7,605,000 and share premium accounts of the Company was decreased by approximately HK$1,657,000.

36. DISPOSAL OF INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Disposal of First Champion Global Limited ("First Champion")

On 26 June 2018, the Group has entered into an agreement with independent third parties, pursuant to which the Group disposed of its entire equity interest in First Champion (the "Transaction"). The transaction involves indirect partial disposal of 22.7% of equity interests in a subsidiary of the Group without loss of control together with financial assets at fair value through profit or loss, both being held under First Champion (the "Disposal Group"), for an aggregate consideration of US$718,000 (equivalent to approximately HK$5,600,000), which was satisfied by 46.3% interest in a limited partnership. It was accounted for as an equity transaction with non-controlling interests and summarised as follows:

	2018 HK$'000
Carrying amounts of the Disposal Group disposed of:	
Net assets of First Champion	–
Net assets of 22.7% of equity interest in a subsidiary	4,779
Financial assets at fair value through profit or loss	–
	4,779
Total consideration	5,600
Gain on disposal of Disposal Group within equity	821
Satisfied by:	
46.3% interest in a limited partnership (Note 19(vi))	5,600

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37. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Time Edge Group

On 26 April 2017, the Group disposed of its entire issued share capital of Time Edge Group which owned the entire issued share capital of Mystery Apex, to a wholly-owned subsidiary of HMV Digit China at a total consideration of HK$50,000,000, which was satisfied by the issue of the convertible bond of HMV Digit China. The net assets of Time Edge Group at the date of disposal were as follows:

	2017 HK$'000
Net assets of subsidiaries disposed of:	
Property, plant and equipment (Note 14)	38
Intangible assets (Note 16)	1,417
Goodwill (Note 16)	12,309
Trade and other receivables	10,135
Cash and cash equivalents	9,048
Trade and other payables	(2,642)
	30,305
Total consideration	61,239
Gain on disposal of subsidiaries included in profit or loss for the year	30,934
Consideration satisfied by:	
Convertible bond of HMV Digit China, at fair value (Note 18(b))	61,239
Net cash outflow arising on disposal:	
Cash and bank balances disposed of	(9,048)

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37. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of AID Partners Asset Management Limited

On 5 September 2018, the Group disposed of its entire issued share capital of AID Partners Asset Management Limited to an independent third party at a cash consideration of approximately HK$5,937,000. The net assets of AID Partners Asset Management Limited at the date of disposal were as follows:

	2018 HK$'000
Net assets of a subsidiary disposed of:	
Property, plant and equipment (Note 14)	**1**
Trade and other receivables	**8**
Cash and cash equivalents	**253**
Trade and other payables	**(57)**
	205
Total consideration	**5,937**
Gain on disposal of a subsidiary included in profit or loss for the year from discontinued operations (Note 11)	**5,732**
Consideration satisfied by:	
Cash	**5,937**
Net cash inflow arising on disposal:	
Cash consideration received	**5,937**
Cash and bank balances disposed of	**(253)**
	5,684

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37. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of Celestial Blue Limited and its subsidiary ("Celestial Blue Group")

On 7 December 2018, the Group disposed of its entire issued share capital of Celestial Blue Group to a related company at a consideration of US$1,000,000 (equivalent to approximately HK$7,800,000), which was satisfied by cash of US$500,000 (equivalent to approximately HK$3,900,000) and equity interests in the acquirer of US$500,000 (equivalent to approximately HK$3,900,000). The net assets of Celestial Blue Group were as follows:

	2018 HK$'000
Net assets of subsidiaries disposed of:	
Financial assets at fair value through profit or loss (Note 19)	3,900
Cash and cash equivalents	9
	3,909
Total consideration	7,800
Gain on disposal of subsidiaries included in profit or loss for the year	3,891
Consideration satisfied by:	
Cash	3,900
Financial assets at fair value through profit or loss (Note 19(vi))	3,900
	7,800
Net cash inflow arising on disposal:	
Cash consideration received	3,900
Cash and bank balances disposed of	(9)
	3,891

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37. DISPOSAL OF SUBSIDIARIES (continued)

(d) Disposal of Prestige Creation Limited and its subsidiaries ("Prestige Creation Group")

On 31 October 2018, the Group has entered into a sale and purchase agreement, pursuant to which the Group has agreed to disposed of its entire issued share capital of Prestige Creation Group at a cash consideration of HK$100,000. The disposal of Prestige Creation Group was completed on 31 December 2018. The net liabilities of Prestige Creation Group were as follows:

	2018 **HK$'000**
Net liabilities of subsidiaries disposed of:	
Property, plant and equipment (Note 14)	**147**
Trade and other receivables	**735**
Tax recoverable	**73**
Cash and cash equivalents	**1,055**
Trade and other payables	**(2,103)**
	(93)
Total consideration	**100**
Gain on disposal of subsidiaries included in profit or loss for the year	**193**
Consideration satisfied by:	
Cash	**100**
Net cash outflow arising on disposal:	
Cash consideration received	**100**
Cash and bank balances disposed of	**(1,055)**
	(955)

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38. ACQUISITION OF SUBSIDIARIES

Acquisition of GeneSort Group

On 5 May 2017, the Group entered into a subscription and sale and purchase agreement with independent third parties in relation to the acquisition of up to approximately 73.7% equity interest in GeneSort International Inc., which owns the entire issued share capital of GeneSort after restructuring (collectively referred to as the "GeneSort Group"), for a consideration of up to US$13,956,422 (equivalent to approximately HK$108,162,000) to be satisfied by the allotment and issue of an aggregate of up to 1,352,028,381 new ordinary shares of the Company at an issue price of HK$0.08 per share and a capital injection of approximately HK$23,448,000 by cash. GeneSort is a company incorporated in Israel with limited liability that is principally engaged in advanced personalised molecular diagnostic services for cancer evaluation and cure. The acquisition of approximately 73.7% equity interest in GeneSort Group was completed on 11 July 2017, and 1,352,028,376 new ordinary shares of the Company (the "Consideration Shares") were allotted and issued to the vendors accordingly. Details of the above mentioned acquisition were set out in the Company's announcement dated 5 May 2017. With the GeneSort Group possessing the cutting edge technology in the world and being well positioned in the paradigm shift of cancer diagnostic and cure, the acquisition will enable the Group seize good opportunities from the potential fast growing specialised industry of health technology.

Notes to the Financial Statements

For the year ended 31 December 2018

38. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of GeneSort Group (continued)

The fair value of identifiable assets and liabilities of GeneSort Group as at the date of acquisition were:

	Note	2017 HK$'000
Net assets acquired:		
Property, plant and equipment (Note 14)		1,061
Intangible assets (Note 16)		38,228
Trade and other receivables, deposits and prepayments		14,438
Inventories		73
Cash and cash equivalents		2,150
Trade and other payables		(3,244)
Deferred tax liabilities recognised upon fair value adjustments (Note 27)		(9,557)
The fair value of net assets acquired		43,149
Less: non-controlling interests		(11,338)
		31,811
Total consideration		84,290
Goodwill arising on acquisition (Note 16)	(ii)	52,479
Consideration satisfied by:		
Cash		23,448
Consideration Shares at fair value		60,842
		84,290
Net cash outflow arising on acquisition:		
Cash consideration		(23,448)
Cash and bank balances acquired		2,150
		(21,298)

Notes to the Financial Statements

For the year ended 31 December 2018

38. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of GeneSort Group (continued)

Notes:

(i) The fair value of trade and other receivables amounted to HK$13,020,000. The gross amount of these receivables is HK$13,020,000. None of these receivables have been impaired and it is expected that the full contractual amount can be collected.

(ii) Goodwill of HK$52,479,000 arose on this acquisition, which is not deductible for tax purposes, comprises the acquired workforce and the expected synergies arising from the combination of the existing operations of the Group.

(iii) The acquisition-related costs of HK$6,403,000 have been expensed and are included in administrative expenses for the year ended 31 December 2017.

(iv) No revenue was contributed from the acquired business to the Group and a loss after tax of approximately HK$9,457,000 was incurred for the period from 11 July 2017 to 31 December 2017.

Had the acquisition occurred on 1 January 2017, the Group's revenue and loss after tax would have been approximately HK$27,939,000 and HK$434,178,000 respectively for the year ended 31 December 2017.

This pro forma information is for illustrative purpose and is not necessarily an indication of revenue and the results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, as detailed below, which are managed by the Executive Directors collectively in close cooperation with the Board of Directors:

(A) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables arising from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the statement of financial position. The Group trades only with recognised and creditworthy third parties on specific terms mutually agreed prior to any business transaction.

Management of the Group closely monitors the credit-worthiness of the counterparties to ensure full recovery, including scrutinising their financial position. In this regard, the Directors consider that the Group's credit risk is minimal.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2018, 36% (2017: 29%) and 96% (2017: 82%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively within the strategic investment segment.

Notes to the Financial Statements

For the year ended 31 December 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(A) Credit risk (continued)

Trade receivables and contract assets (continued)

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 60 days (2017: 30 to 60 days) from the date of billing. Normally, the Group does not obtain collateral from customers.

From 1 January 2018, the Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Ageing analysis of trade receivables, based on due date, which are past due but not impaired is as follows:

	2018 **HK$'000**
Over 60 days past due	**131**

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (Note 3(i)(i) — Accounting policies applied until 31 December 2017). As at 31 December 2017, trade receivables of HK$9,806,000 were determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 HK$'000
Less than 60 days past due	38

As at 31 December 2017, trade receivables of HK$38,000 that were past due but not impaired relate to certain customers with a good track record of credit with the Group. Based on the past credit history, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

Notes to the Financial Statements

For the year ended 31 December 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(A) Credit risk (continued)

Trade receivables and contract assets (continued)

Comparative information under IAS 39 (continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2018	2017
	HK$'000	HK$'000
Balance as at 1 January under IAS 39	**9,806**	9,102
Impact on initial application of IFRS 9 (Note 2)	**–**	–
Balance as at 1 January under IFRS 9	**9,806**	9,102
Impairment losses recognised during the year (Note 9)	**11,947**	–
Exchange alignment	**(962)**	704
Balance as at 31 December	**20,791**	9,806

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance during the year ended 31 December 2018:

— Increase in days past due over 30 days resulted in an increase in loss allowance of HK$11,947,000.

The credit risk on liquid funds is limited because the Group mainly places deposits with leading financial institutions in Hong Kong.

(B) Market risk

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

(i) Foreign currency risk management

The Group's main exposure to foreign currencies includes its interests in foreign subsidiaries and financial assets and liabilities where the foreign currency risk is managed as an integral part of the investment return.

Certain subsidiaries of the Group have foreign currency revenue and costs, which expose the Group to foreign currency risk. The Group manages this risk by reserving sufficient revenue to settle the costs in the relevant foreign currency, subject to other operating requirements.

Notes to the Financial Statements

For the year ended 31 December 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are subject to foreign exchange risk as at 31 December 2018 and 2017 are summarised as follows:

	2018						
	HK$ denominated HK$'000	US$ denominated equivalent HK$'000	RMB denominated equivalent HK$'000	JPY denominated equivalent HK$'000	NIS denominated equivalent HK$'000	Other currencies equivalent HK$'000	Total HK$'000
ASSETS							
Financial assets at fair value through profit or loss	67,461	365,015	9,562	–	–	–	442,038
Trade and other receivables*	18,480	2,089	2,277	5,883	487	–	29,216
Contract assets	–	–	4,525	–	–	–	4,525
Cash and cash equivalents	18,421	8,618	11,811	339	1,312	37	40,538
	104,362	375,722	28,175	6,222	1,799	37	516,317
LIABILITIES							
Trade and other payables	(6,309)	–	(6,326)	–	(5,121)	(46)	(17,802)
Contract liabilities	–	–	(2,132)	–	–	–	(2,132)
Borrowings	–	(1,037)	–	–	–	–	(1,037)
Convertible bonds	(181,825)	–	–	–	–	–	(181,825)
	(188,134)	(1,037)	(8,458)	–	(5,121)	(46)	(202,796)
NET TOTAL	(83,772)	374,685	19,717	6,222	(3,322)	(9)	313,521

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For the year ended 31 December 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

	2017						
	HK$ denominated HK$'000	US$ denominated equivalent HK$'000	RMB denominated equivalent HK$'000	JPY denominated equivalent HK$'000	NIS denominated equivalent HK$'000	Other currencies equivalent HK$'000	Total HK$'000
ASSETS							
Financial assets at fair value through profit or loss	15,557	18,122	–	–	–	–	33,679
Investments in convertible bonds	60,388	–	–	–	–	–	60,388
Available-for-sale investments	707,603	237,900	10,076	5,550	–	1,754	962,883
Trade and other receivables*	52,492	49,319	15,136	14	–	2	116,963
Cash and cash equivalents	4,463	7,513	19,184	2,641	1,540	17	35,358
	840,503	312,854	44,396	8,205	1,540	1,773	1,209,271
LIABILITIES							
Trade and other payables	(6,126)	–	(7,534)	(486)	(4,482)	(43)	(18,671)
Borrowings	(9,033)	–	–	–	–	–	(9,033)
Convertible bonds	(167,742)	–	–	–	–	–	(167,742)
	(182,901)	–	(7,534)	(486)	(4,482)	(43)	(195,446)
NET TOTAL	657,602	312,854	36,862	7,719	(2,942)	1,730	1,013,825

* Excluded from the trade and other receivables of HK$35,651,000 (2017: HK$134,040,000) is an amount of HK$6,435,000 (2017: HK$17,077,000) representing prepayments which are not subject to foreign exchange risk.

Notes to the Financial Statements

For the year ended 31 December 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in JPY, RMB and NIS (2017: JPY, RMB and NIS). Other currencies mainly represented HK$ and US$. Since HK$ is pegged to US$, the Group does not expect any significant movements in US$/HK$ exchange rate. The following table details the Group's sensitivity to a 20% (2017: 20%) increase and decrease in the HK$ against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 20% change in foreign currency rates. A positive number below indicates an increase in profit/reduce in loss and increase in other equity where HK$ weaken 20% against the relevant currency. For a 20% strengthening of HK$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

			2018		
Foreign Currency	**At 31 December HK$'000**	**Increase in exchange rate %**	**Effect on loss for the year and equity HK$'000**	**Decrease in exchange rate %**	**Effect on loss for the year and equity HK$'000**
JPY	**6,222**	**20**	**1,244**	**20**	**(1,244)**
RMB	**19,717**	**20**	**3,943**	**20**	**(3,943)**
NIS	**(3,322)**	**20**	**(664)**	**20**	**664**
TOTAL	**22,617**		**4,523**		**(4,523)**

			2017		
Foreign Currency	At 31 December HK$'000	Increase in exchange rate %	Effect on loss for the year and equity HK$'000	Decrease in exchange rate %	Effect on loss for the year and equity HK$'000
JPY	7,719	20	1,544	20	(1,544)
RMB	36,862	20	7,372	20	(7,372)
NIS	(2,942)	20	(588)	20	588
TOTAL	41,639		8,328		(8,328)

Notes to the Financial Statements

For the year ended 31 December 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(ii) Interest rate risk management

The Group's interest rate risk mainly arises from borrowings as disclosed in Note 25. Borrowings were issued at fixed rates which expose the Group to interest rate risk. The Group had no cash flow interest rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates. The Group's exposure to interest rate risk related primarily to cash balances with banks.

(iii) Fair value measurements recognised in the consolidated statement of financial position

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial assets and liabilities is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Recurring fair value measurements:				
Financial assets at fair value through profit or loss	30,888	–	411,150	442,038

Notes to the Financial Statements

For the year ended 31 December 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iii) Fair value measurements recognised on the consolidated statement of financial position (continued)

	2017			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets:				
Recurring fair value measurements:				
Financial assets at fair value through profit or loss	–	–	33,679	33,679
Available-for-sale investments				
— Listed equity securities	707,603	–	–	707,603

There have been no significant transfers among levels 1, 2 and 3 in the reporting period.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

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For the year ended 31 December 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iii) Fair value measurements recognised on the consolidated statement of financial position (continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable input (Level 3) are as follows:

Financial assets at fair value through profit or loss

	2018 **HK$'000**	2017 HK$'000
As at 1 January as originally presented	**33,679**	9,958
Impact on initial adoption of IFRS 9		
— Investment in Zoox	**234,000**	–
— Investment in Convertible Bond of HMV Digit China	**37,099**	–
— Other unlisted investments	**21,279**	–
As at 1 January (Restated)	**326,057**	9,958
Subscription of convertible bonds	**–**	22,987
Investments in corporate bonds	**–**	22,895
Reclassification from interest in an associate	**–**	603,838
Additions	**9,498**	110,720
Gain on bargain purchase	**–**	47,360
Reclassification to available-for-sale investments	**–**	(710,479)
Disposal of subsidiaries	**(3,900)**	–
Disposals	**(7,589)**	(8,103)
Gain on disposals	**28**	295
Fair value gain/(loss) for the year, net	**87,570**	(65,792)
Exchange alignment	**(514)**	–
As at 31 December	**411,150**	33,679

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(C) Liquidity risk

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

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. Cash management of all operating entities is centralised, including raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in short and long terms.

The following table details the Group's remaining contractual maturities for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk.

As at 31 December 2018

	Less than 1 month or on demand HK$'000	1–3 months HK$'000	3 months– 1 year HK$'000	1–5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount as at 31 December HK$'000
Non-derivatives:						
Trade and other payables*	**(13,822)**	**(2,571)**	**(812)**	**–**	**(17,205)**	**(17,205)**
Borrowings	**(1,037)**	**–**	**–**	**–**	**(1,037)**	**(1,037)**
Convertible bonds	**–**	**–**	**–**	**(196,000)**	**(196,000)**	**(181,825)**
TOTAL	**(14,859)**	**(2,571)**	**(812)**	**(196,000)**	**(214,242)**	**(200,067)**

As at 31 December 2017

	Less than 1 month or on demand HK$'000	1–3 months HK$'000	3 months– 1 year HK$'000	1–5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount as at 31 December HK$'000
Non-derivatives:						
Trade and other payables*	(17,846)	–	–	–	(17,846)	(17,846)
Borrowings	(30)	(59)	(267)	(9,467)	(9,823)	(9,033)
Convertible bonds	–	–	–	(196,000)	(196,000)	(167,742)
TOTAL	(17,876)	(59)	(267)	(205,467)	(223,669)	(194,621)

* Excluded from trade and other payables of HK$17,802,000 (2017: HK$18,671,000) is an amount of HK$597,000 (2017: HK$825,000) representing estimated payments for long service and unconsumed leave, the settlement which will depend upon either the termination of services of the relevant staff and management discretion respectively, and therefore the liquidity terms cannot be reasonably ascertained.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(D) Capital risk management

The Group's objectives when managing capital are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) to support the Group's stability and growth;

(c) to provide capital for the purpose of strengthening the Group's risk management capability; and

(d) to provide capital for purposes of potential mergers and acquisitions.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Directors review the capital structure annually. As part of this review, the Directors assess the annual budget prepared by management of the Company and consider the cost of capital and the risks associated with each class of capital.

The Group is not subject to externally imposed capital requirements.

For capital management purpose, the Directors regard the total equity presented in the face of consolidated statement of financial position as capital. The amount of capital attributable to owners of the Company as at 31 December 2018 was HK$377,467,000 (2017: HK$1,139,822,000).

40. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	2018 HK$'000	2017 HK$'000
Borrowings (Note 25)		
As at 1 January	**9,033**	–
Change from financing cash flows:		
Proceeds from borrowings	**1,037**	8,895
Interest paid on borrowings	**(355)**	(356)
Total change of cash flows from financing activities	**682**	8,539
Interest expense	**296**	494
Settlement by secured shares to the lender	**(8,974)**	–
As at 31 December	**1,037**	9,033
Convertible bonds (Note 26)		
As at 1 January	**167,742**	154,743
Effective interest expense on convertible bonds	**14,083**	12,999
As at 31 December	**181,825**	167,742

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2018 are as follows:

Name	Place/Country of incorporation/ establishment	Principal place of operation	Issued share capital	Percentage of attributable interest held by the Group 2018	2017	Principal activities
Action Key Investments Limited	Samoa	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
AID Partners Asset Management Limited#	Hong Kong	Hong Kong	ordinary HK$49,005,000	**–**	100%	Provision of investment advisory and fund management services
Honour Best Holdings Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Silver Alpine Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
8088 Management Limited	Hong Kong	Hong Kong	ordinary HK$1	**100%**	100%	Provision of corporate services
Complete Star (HK) Limited	Hong Kong	Hong Kong	ordinary HK$10,000	**70%**	70%	Development and operation of mobile games
Valliant Investments Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Honestway Global Group Limited	British Virgin Islands	N/A	100 ordinary shares at US$1 each	**100%**	100%	Investment holding
深圳八零八八科技有限公司	The PRC	Shenzhen, the PRC	ordinary HK$12,633,000	**100%**	100%	Investment holding
上海威搜游科技有限公司*	The PRC	Shenzhen, the PRC	ordinary RMB10,000,000	**100%**	100%	Provision of mobile games business in PRC
上海友蝸網絡科技有限公司*	The PRC	Shenzhen, the PRC	ordinary RMB3,000,000	**100%**	100%	Provision of mobile games business in PRC
上海江娛文化傳播有限公司*	The PRC	Shenzhen, the PRC	ordinary RMB1,100,000	**51%**	51%	Provision of real time video streaming business in PRC
AID Partners Autonomous, LP	Cayman Islands	N/A	N/A	**82.3%**	82.3%	Investment holding
Green Admiral Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**82.3%**	82.3%	Investment holding
GeneSort International Inc.	British Virgin Islands	N/A	47,994 ordinary shares at US$1 each	**51%**	73.7%	Investment holding
GeneSort Ltd.	Israel	Israel	41,734 ordinary shares at NIS0.01 each	**51%**	73.7%	Provision of advanced personalised molecular diagnostic services for cancer evaluation and cure

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

All of the above principal subsidiaries are limited liability companies and are indirectly held by the Company except for AID Partners Asset Management Limited, Silver Alpine Limited and Honour Best Holdings Limited.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the principal subsidiaries which materially affect the results or the assets of the Group.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

* 上海威搜游科技有限公司, 上海友蝸網絡科技有限公司 and 上海江娛文化傳播有限公司 are accounted for as subsidiaries through certain Contractual Arrangements (Note 4(ii)).

AID Partners Asset Management Limited was disposed on 5 September 2018, as detailed in Note 37(b).

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42. NON-CONTROLLING INTERESTS

As at 31 December 2018 and 2017, the Group's material non-controlling interests ("NCI") are as follows:

(a) CSL is a 70% indirectly owned subsidiary of the Company. Summarised financial information in relation to the post-acquisition NCI of CSL, before inter-group eliminations, is presented below:

	2018 HK$'000	2017 HK$'000
For the year ended 31 December		
Revenue	**6,222**	8,077
(Loss)/Profit and total comprehensive income for the year, before amortisation and impairment (net of tax)	**(970)**	286
Loss and total comprehensive income for the year, after amortisation and impairment (net of tax)	**(970)**	(17,700)
Loss allocated to NCI	**(291)**	(5,310)
Dividend paid to NCI	**–**	–
For the year ended 31 December		
Cash inflow/(outflow) from operating activities	**379**	(1,155)
Cash flow from investing activities	**–**	–
Cash flow from financing activities	**–**	–
Net cash inflow/(outflow)	**379**	(1,155)
As at 31 December		
Current assets	**4,382**	5,389
Non-current assets	**–**	–
Current liabilities	**(25)**	(61)
Non-current liabilities	**–**	–
Net assets	**4,357**	5,328
Accumulated non-controlling interests	**1,307**	1,598

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42. NON-CONTROLLING INTERESTS (continued)

(b) GeneSort International Inc. is a 51% (2017: 73.7%) indirectly owned subsidiary of the Company, which was acquired on 11 July 2017 as detailed in Note 38. Summarised financial information in relation to the post-acquisition NCI of GeneSort Group, before inter-group eliminations, is presented below:

	2018	2017
	HK$'000	HK$'000
For the year ended 31 December		
Revenue	**–**	–
Loss and total comprehensive income for the year, before amortisation (net of tax)	**(27,421)**	(8,187)
Loss and total comprehensive income for the year, after amortisation (net of tax)	**(29,403)**	(9,584)
Loss allocated to NCI	**(11,561)**	(2,518)
Dividend paid to NCI	**–**	–
For the year ended 31 December		
Cash outflow from operating activities	**(22,733)**	(14,929)
Cash outflow from investing activities	**(257)**	(6,840)
Cash inflow from financing activities	**23,202**	23,400
Net cash inflow	**212**	1,631
As at 31 December		
Current assets	**3,340**	3,073
Non-current assets	**37,961**	44,028
Current liabilities	**(5,817)**	(4,482)
Non-current liabilities	**(31,322)**	(9,055)
Net assets	**4,162**	33,564
Accumulated non-controlling interests	**2,038**	8,820

Notes to the Financial Statements

For the year ended 31 December 2018

42. NON-CONTROLLING INTERESTS (continued)

(b) (continued)

On 26 June 2018, the Group disposed of 22.7% equity interest in its subsidiary, GeneSort International Limited as detailed in Note 36. Following the disposal, the Group had 51% equity interests in that subsidiary. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2018 **HK$'000**
Consideration received from disposal of 22.7% equity interest	**5,600**
Net assets attributable to 22.7% ownership interest	**(4,779)**
Increase in equity attributable to owners of the Company (included in other reserve)	**821**

(c) AID Partners Autonomous, LP is a 82.3% indirectly owned subsidiary of the Company. Summarised financial information in relation to NCI of AID Partners Autonomous, LP, before inter-group elimination, is presented below:

	2018 **HK$'000**	2017 HK$'000
For the year ended 31 December		
Revenue	**–**	–
Profit and total comprehensive income for the year before amortisation (net of tax)	**75,286**	–
Profit and total comprehensive income for the year after amortisation (net of tax)	**75,286**	–
Profit allocated to NCI	**13,300**	–
Dividend paid to NCI	**–**	–
For the year ended 31 December		
Cash (outflow)/inflow from operating activities	**(10)**	6
Cash flow from investing activities	**–**	–
Cash flow from financing activities	**–**	–
Net cash (outflow)/inflow	**(10)**	6

Notes to the Financial Statements

For the year ended 31 December 2018

42. NON-CONTROLLING INTERESTS (continued)

(c) (continued)

	2018 HK$'000	2017 HK$'000
As at 31 December		
Current assets	16	16
Non-current assets	309,286	234,000
Current liabilities	(16)	(16)
Non-current liabilities	–	–
Net assets	309,286	234,000
Accumulated non-controlling interests	54,640	41,340

Notes to the Financial Statements

For the year ended 31 December 2018

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	**547,283**	1,286,994
Current assets		
Other receivables	**384**	464
Financial assets at fair value through profit or loss	**7,059**	15,782
Cash and cash equivalents	**7,148**	5,984
	14,591	22,230
Current liabilities		
Other payables	**2,066**	2,065
Net current assets	**12,525**	20,165
Total assets less current liabilities	**559,808**	1,307,159
Non-current liabilities		
Convertible bonds	**181,825**	167,742
Net assets	**377,983**	1,139,417
EQUITY		
Share capital (Note 28)	**8,428**	8,352
Reserves (Note 29)	**369,555**	1,131,065
Total equity	**377,983**	1,139,417

Wu King Shiu, Kelvin
Director

Chan Suet Ngan
Director

Appendix I

FIVE-YEAR FINANCIAL SUMMARY

The financial information relating to the year ended 31 December 2018 included in this five year summary does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial results					
(Loss)/Profit attributable to owners of the Company	**(765,260)**	(420,333)	504,551	(233,146)	(89,666)
Assets and liabilities					
Total assets	**649,233**	1,399,348	1,734,875	1,344,807	369,361
Total liabilities	**(213,643)**	(207,692)	(218,958)	(589,211)	(357,222)
Total equity	**435,590**	1,191,656	1,515,917	755,596	12,139

Appendix II

CORPORATE INFORMATION

Board of Directors

Chairman and Non-Executive Director:

Wu King Shiu, Kelvin *(Chairman)*

Executive Directors:

Chan Suet Ngan
Hu Kenneth
Qian Alexandra Gaochuan

Non-Executive Director:

Xu Haohao

Independent Non-Executive Directors:

Fong Janie
Matsumoto Hitoshi
Yuen Kwok On

Audit Committee

Yuen Kwok On *Chairman*
Fong Janie
Matsumoto Hitoshi

Remuneration Committee

Yuen Kwok On *Chairman*
Wu King Shiu, Kelvin
Matsumoto Hitoshi

Nomination Committee

Wu King Shiu, Kelvin *Chairman*
Yuen Kwok On
Matsumoto Hitoshi

Company Secretary

Chan Suet Ngan

Compliance Officer

Qian Alexandra Gaochuan

Principal Bankers

East West Bank
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited

Auditor

BDO Limited

Solicitors

Michael Li & Co.

Registered Office

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

GEM 8088