華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

Annual Report

2018

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

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

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

Hong Kong Exchanges and Clearing Limited and the Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

Non-executive Director

Mr. Lam Kwok Hing Wilfred *J.P. (Chairman)*

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

AUTHORISED REPRESENTATIVES

Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

AUDIT COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

NOMINATION COMMITTEE

Mr. Lam Raymond Shiu Cheung *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward

REMUNERATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

COMPANY SECRETARY

Ms. Cheung Ching Man

COMPLIANCE OFFICER

Mr. Mok Tsan San

REGISTERED OFFICE

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Bermuda

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
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Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

AUDITOR

Asian Alliance (HK) CPA Limited
Suites 313-316, 3/F
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Ltd.
Bank of Communications Co., Ltd.

STOCK CODE

8089

BUSINESS REVIEW

The Group is principally engaged in businesses of properties investments, securities trading, loan financing, trading business and advising on securities and asset management. The revenue of the Group for the year ended 31 December 2018 amounted to approximately HK$24,886,000, representing an increase of approximately 142.4% as compared with approximately HK$10,267,000 in the preceding financial year. The increase in revenue was mainly due to the expansion of the trading business during the year ended 31 December 2018.

Properties Investments

The Group recorded a rental income of approximately HK$2,516,000 for the year ended 31 December 2018 (2017: approximately HK$2,453,000) through properties leasing. The property market in Hong Kong has experienced rebound in the price and reached its highest record, the Group recorded a gain arising from fair value changes of investment properties of approximately HK$8,291,000 (2017: approximately HK$6,460,000).

As at 31 December 2018, the fair value of investment properties of the Group amounted to approximately HK$164,840,000 (31 December 2017: approximately HK$117,700,000).

Securities Trading

During the year ended 31 December 2018, through disposal of financial assets at FVTPL, the Group recorded a loss of approximately HK$57,074,000 (2017: gain approximately HK$11,230,000). With the volatile securities market affected by both political and economical factors frequently, the Group recorded a loss arising from the fair value changes of financial assets at FVTPL of approximately HK$53,082,000 (2017: loss from changes in fair value of investment held for trading of approximately HK$31,171,000).

As at 31 December 2018, the Group had financial assets at fair value through profit or loss which represent listed securities in Hong Kong amounted to approximately HK$33,294,000 (31 December 2017: approximately HK$204,232,000).

There is no single investments of Hong Kong listed securities and/or relevant derivatives with market value exceeding HK$20,000,000 as at 31 December 2018. The gain (loss) from change in fair value of financial assets at FVTPL of single investments exceeded HK$10,000,000 are as follows:

	As at 31 December 2018			For the year ended 31 December 2018			
Company	**No. of shares held**	**Approx. percentage of shareholdings**	**Fair value**	**Stock price performance** *(%)*	**Price range** *(HK$)*	**Gain (loss) from change in fair value**	**Dividend received**
			HK$'000	*Approx.*	*Approx.*	*HK$'000*	*HK$*
CEFC Hong Kong Financial Investment Company Limited	25,644,000	0.26%	5,129	(75)%	0.15-0.98	(14,072)	Nil
China Eco-Farming Limited	21,820,000	0.12%	5,215	(73.15)%	0.239-1.05	(12,251)	Nil

The Group, in general, adopts an investment strategy that is both prudent and cautious with the overriding aim of achieving healthy investment returns. In formulating and realizing the said strategy, the Group will take into account a range of factors when considering prospective investments and when monitoring its existing investment portfolio including, but not limited to, the risks and likely return associated with each of its investments, the range and diversity of investments held in the Group's portfolio from time to time, the liquidity of the Group's investments and the anticipated cash flow requirements of each of its investments.

Loan Financing

During the year ended 31 December 2018, the performance of the loan financing business was not satisfactory with tightened credit policy and keen market competition. It was recorded a drop of approximately 49.8% in the interest income to approximately HK$1,814,000 from HK$3,614,000 in the preceding financial year.

Trading Business

The Group is of the view that high quality of tea leaves has strong potential growth and room for healthy financial returns. In order to broaden the revenue stream of the Group, the Group has started the trading business in the last quarter of 2017. During the year ended 31 December 2018, the group record the revenue and operating loss of tea leaves trading were approximately HK$20,544,000 and HK$1,088,000 respectively (31 December 2017: approximately HK$4,200,000 and loss of HK$468,000 respectively).

Strategic Cooperation with Shenzhen Jinbo Investment

The Group, from time to time, explores business opportunities in different sectors in order to broaden its revenue stream. On 18 April 2018, Chinese Entertainment (Holdings) Company Limited（華人娛樂（控股）有限公司）("**Chinese Entertainment**"), a wholly-owned subsidiary of the Company, entered into a strategic cooperation framework agreement (the "**Strategic Cooperation Agreement**") with Shenzhen Jinbo Investment Holdings Group Co. Ltd.*（深圳金博投資控股集團有限公司）("**Shenzhen Jinbo Investment**"), pursuant to which Chinese Entertainment, where conditions permit, will acquire not more than 95% equity interest in Shenzhen Jinbo Investment. The Group intends to pursue comprehensive cooperation with Shenzhen Jinbo Investment in smart phone products, cultural industry, healthcare industry and new energy business. By leveraging on the rich resources of Shenzhen Jinbo Investment in the abovementioned businesses and its ability to integrate such resources, the Group and Shenzhen Jinbo Investment would like to jointly explore business opportunities in certain aspects taking advantage of the superior resources in the crossborder capital market.

The Strategic Cooperation Agreement is valid for 12 months. The Company is still in negotiation with Shenzhen Jinbo Investment on certain terms of the cooperation. The Company will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules if formal agreement relating to the Strategic Cooperation Agreement is entered into between Chinese Entertainment and Shenzhen Jinbo Investment. Details are set out in the announcement of the Company dated 18 April 2018.

* *for identification purpose only*

Financial Assets

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

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

The Group held an investment portfolio, classified as equity instruments at fair value through other comprehensive income with carrying value of approximately HK$2,426,000 as at 31 December 2018 (31 December 2017: available-for-sale financial assets of approximately HK$3,634,000).

The Group held certain unlisted convertible bond by a private company, classified as financial assets at fair value though profit or loss, amounted to approximately HK$7,468,000 as at 31 December 2018 (31 December 2017: approximately HK$7,500,000). The convertible instruments were measured at fair value at the reporting end date. In this regard, a loss arising from fair value changes of convertible instruments of approximately HK$32,000 was recorded during the year ended 31 December 2018 (2017: gain of approximately HK$2,265,000).

The carrying value of the aforesaid investments, representing 1.42% of the total assets of the Group, is mark to market value and its performance is affected by Hong Kong stock market and global economic environment.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded a revenue of approximately HK$24,886,000 (2017: approximately HK$10,267,000), representing an increase of approximately 142.4% as compared with the preceding financial year. The increase in revenue was mainly due to the expansion of trading business segment.

Administrative expenses for the year ended 31 December 2018 was approximately HK$80,552,000 (2017: approximately HK$80,221,000), representing an slightly increase of approximately 0.4% as compared with the preceding financial year. The increase in expenses was mainly due to increase in consultancy fee and staff costs.

The Group incurred finance costs of approximately HK$27,237,000 for the year ended 31 December 2018 (2017: approximately HK$20,673,000), which mainly comprised interest on interest bearing bank borrowing and other borrowings, margin accounts and bonds.

The loss attributable to the owners of the Company for the year ended 31 December 2018 aggregated at approximately HK$221,601,000 (2017: approximately HK$86,462,000). Loss for the year was mainly attributable to loss on disposals of financial assets at FVTPL of approximately HK$57,074,000 and loss from changes in fair value of financial assets at FVTPL of approximately HK$53,082,000. The basic loss per share for the year ended 31 December 2018 was HK107.17 cents (2017: HK57.79 cents).

OUTLOOK

The residential property market in Hong Kong has primarily remained buoyant during 2018 with property prices continuing to reach new heights despite measures implemented by the Hong Kong SAR Government and increases in interest rates. The property market did, however, begin to dampen during the fourth quarter of 2018 due uncertainties caused by mounting trade tensions between the United States and China that has, in turn, stinted China's economic growth. In light of such developments, the management will continue to adopt a very cautious and conservative approach when seeking out new property investment opportunities for the company during the coming financial year.

On the securities investment front, the weakened growth of the Chinese economy due to the uncertainties created by the trade dispute between the United States and China coupled with various factors on the international front such as Brexit have strongly influenced key stock market movements around the world with Hong Kong being no exception. The likelihood of such factors continuing to impact on stock market sentiments and volatility in the coming financial year seems high if not absolutely certain. The management will, therefore, continue to adopt a prudent approach in all its securities investment dealings.

Given that the overall business environment in 2019 will likely be challenging, volatile and unpredictable, the management will maintain a very cautious and practical approach in managing the Company's business operations in the coming financial year.

INTEREST IN A JOINT VENTURE

The Group's investment in the joint venture 長沙賽格發展有限公司 (Changsha Seg Development Co Limited) ("**Changsha Seg**") performed satisfactorily during the year ended 31 December 2018. The Group's share of result of Changsha Seg amounted to approximately HK$12,689,000 for the year ended 31 December 2018 (2017: HK$2,518,000). The net assets of Changsha Seg was approximately HK$308,535,000 (2017: approximately HK$301,133,000).

Changsha Seg is principally engaged in rental of office premises and a shopping mall in Changsha, the People's Republic of China that is situated at a prime location near the Changsha Railway Station. The Group has been working closely with its partner, Shenzhen Seg Co. Ltd., a company listed on the Shenzhen Stock Exchange, as well as the other shareholders of Changsha Seg, in respect of its operation and development.

FUND RAISING ACTIVITIES

On 29 January 2018, the Company and FT Securities Limited entered into a placing agreement pursuant to which the Company proposed to offer the subscription of up to 40,000,000 placing shares at the placing price of HK$4 per placing share under specific mandate and appoint FT Securities Limited on sole and exclusive basis to place and to procure subscriptions for the placing shares on a best-effort basis, not less than six placees.

As the conditions precedent to the placing agreement were not fulfilled on 29 March 2018, the placing agreement lapsed thereon. Details are set out in the announcements of the Company dated 29 January 2018 and 29 March 2018.

On 20 June 2018, the Company and I Win Securities Ltd (the "**Placing Agent**") entered into a placing agreement (the "**Placing Agreement**") pursuant to which the Placing Agent has conditionally agreed to procure not less than six placees on a best efforts basis to subscribe for up to 40,000,000 placing shares at the placing price of HK$1.68 per placing share under the general mandate.

On 10 July 2018, the Company and the Placing Agent entered into a supplemental agreement to the Placing Agreement ("**Supplemental Agreement**"), whereby the Company and the Placing Agent agreed to amend the term of the Placing Agreement by replacing the definition of "long stop date" in its entirely by "31 July 2018 or such later date as the Company and the Placing Agent may agree in writing".

As the conditions precedent to the Placing Agreement and Supplemental Agreement were not fulfilled on 31 July 2018, the Placing Agreement and Supplemental Agreement lapsed thereon. Details are set out in the announcements of the Company dated 20 June 2018 and 10 July 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flows and borrowings.

As at 31 December 2018, the Group had cash and cash equivalent of approximately HK$7,185,000 (31 December 2017: approximately HK$49,146,000), interest-bearing borrowings of approximately HK$142,349,000 (31 December 2017: approximately HK$139,226,000) and bond payables of HK$50,000,000 (31 December 2017: HK$50,000,000).

As at 31 December 2018, the gearing ratio (measured as total liabilities to total assets) was approximately 51.0% (31 December 2017: approximately 30.7%).

CAPITAL STRUCTURE

As at 31 December 2018, the Company's issued share capital was HK$2,067,775, divided into 206,777,513 shares of HK$0.01 each.

CAPITAL COMMITMENTS

As at 31 December 2018 and 31 December 2017, the Group did not have any capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2018 and 31 December 2017, the Group did not have any material contingent liability.

CHARGES ON ASSETS

As at 31 December 2018, investment properties and certain financial assets at FVTPL with an aggregate carrying value of approximately HK$179,562,000 (31 December 2017: HK$258,126,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

SIGNIFICANT INVESTMENT

On 23 May 2018 (after trading hours), a sale and purchase agreement was entered into between 北京華鼎滙金投資有限責任公司 (Beijing Huading Huijin Investment Company Limited*), a company incorporated in the PRC with limited liability as Vendor I; 汪名一 (Mr. Wang Mingyi), an individual shareholder of 北京金准韋特智能科技有限公司 (Beijing Jinzhun Weite Intelligence Technological Company Limited*), a company incorporated in the PRC with limited liability (the "**Target Company**") as Vendor II; 常偉 (Mr. Chang Wei), an individual shareholder of the Target Company as Vendor III; 劉靖衡 (Mr. Liu Jingheng), an individual shareholder of the Target Company as Vendor IV; 周鵬宇 (Mr. Zhou Pengyu), an individual shareholder of the Target Company as Vendor V; Goal Set Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as the Purchaser; and the Company (collectively, the "**Parties**") in relation to the acquisition of 55% equity interest in the target company at the consideration of HK$96,000,000, which shall be satisfied (i) as to HK$3,000,000 in cash: and (ii) as to HK$93,000,000 by the issue of the exchangeable note which can be exchanged into the convertible bonds.

While on 5 September 2018, the Parties entered into a supplemental agreement to the sale and purchase agreement to extend the long stop date to 31 October 2018 and revised certain terms on the sales and purchase agreement. As certain conditions have not been clarified with the authorities as at the long stop date, the sale and purchase agreement as supplemented by the supplemental agreement lapsed accordingly and neither party shall have any claim against the other thereunder. The Board considers that the lapse of the sale and purchase agreement (as supplemented by the supplemental agreement) will not have any material adverse impact on the existing business operations and financial position of the Group.

Details are set out in the announcements of the Company dated 23 May 2018, 11 September 2018 and 12 November 2018.

Save as disclosed in this announcement, the Group did not have any other significant investment during the year ended 31 December 2018.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this announcement, the Group did not process any material acquisition or disposal during the year ended 31 December 2018.

LITIGATIONS

Concerning the six (6) sets of proceedings instituted by Fameway Finance Limited ("**Fameway**"), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, five (5) of which have already been disposed of while Fameway is embarking on enforcement procedures in the remaining claim in reliance on legal advice.

In another litigation matter which has also been reported previously, the Company and King Perfection Limited have obtained judgment but one of the judgment debtors has been wound up. Both the Company and King Perfection Limited are relying on legal advice for further conduct and for protection of their interest.

Regarding the action under HCA701 of 2013, the parties have filed their respective pleadings in the Action and therefore pleadings stage has been closed. The action is now under discovery stage and the parties are directed by the Court to exchange lists of documents and to prepare witness statements. As directed by the Court, the parties will also arrange and attend mediation.

Concerning the litigation matter instituted by GML, at the Superior Court for the Commonwealth of the Northern Mariana Islands, GML has, as previously reported, obtained judgment in default against Hong Kong Entertainment (Overseas) Investments Limited. GML is relying on legal advice for any possible enforcement.

The Company will announce or disclose the conduct of litigation matters and/or outcome of enforcement wherever appropriate or necessary.

ADVANCE TO AN ENTITY

On 15 February 2015 and 24 March 2015, Hong Kong Entertainment (Overseas) Investments Limited ("**HKE**") and Tinian Entertainment Co., Ltd ("**TEC**"), a former indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement and operating agreement respectively ("**Operating Agreement**") under which HKE intended to lease to TEC and TEC intended to lease from HKE, the leased property comprising of the Hotel-Casino Complex and the relevant assets at the occupation fees of approximately HK$133,000,000. Upon the entering into the Operating Agreement, TEC has paid HKE a refundable deposit of HK$50,000,000, which has been set off with part of the rental prepayment repayable by HKE.

Following to the term sheet of 7 April 2016 and the restructuring agreement of 29 April 2016 regarding the restructuring of the Hotel-Casino Complex, the total outstanding amount due from HKE to Gain Millennia Limited (the "**GML**") an indirect wholly-owned subsidiary of the Company and TEC and other moneys payable by HKE to GML and/or its affiliated companies is HK$164,624,000 (the "**GML Outstanding Amount**"). Pursuant to the restructuring agreement, a new company incorporated by Mr. Chen Chien Yeh ("**NewCo**") shall issue a convertible bonds in a principal sum of USD21,150,002 to GML or its nominee as a full and final settlement of the GML Outstanding Amount. On 29 June 2016, a supplemental agreement was entered into to extend the long stop date of the restructuring agreement from 30 June 2016 to 30 September 2016. On 30 September 2016 the restructuring agreement lapsed.

On 15 August 2017, GML entered into a non-legally binding framework agreement with HKE (as the landlord), TEC (the "**Lessee**"), Mega Stars Overseas Limited (as the first guarantor) and Well Target Limited (as the second guarantor). HKE shall lease the land to the Lessee. The term of the Lease shall be 15 years commencing from 1 December 2017 to 30 November 2032 (the "**Potential Lease**"). No formal agreement reached upon expiry of the non-legally binding framework agreement and the Potential Lease was lapsed. As at 31 December 2018, the net amount due and owing by HKE in the aggregate sum of HK$164,624,000.

The Company is seeking legal and other professional advice on formulating a prudent and workable action plan and negotiating with HKE for the recovery of the GML Outstanding Amount. The management has taken a prudent approach and made full impairment of the GML Outstanding Amount during the year ended 31 December 2016.

Details are set out in the announcements of the Company dated 23 February 2015, 3 March 2015, 20 April 2015, 7 April 2016, 29 April 2016, 11 May 2016, 29 June 2016 and 16 August 2017.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The reporting currency adopted by the Group is Hong Kong dollars ("**HK$**"). The majority of the Group's sales, receivables and expenditures are denominated in HK$, United States dollars ("**USD**") or Renminbi ("**RMB**"). HK$ is closely linked with USD. Although the exchange rate of HK$ against RMB had slightly appreciated during the year under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group's foreign exchange exposure and implement foreign currency hedging measures should the need arises.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

The Group had 49 employees (31 December 2017: 45 employees) in Hong Kong and Mainland China as at 31 December 2018. During the year ended 31 December 2018, the Group incurred staff costs (including Directors' emoluments) of approximately HK$33,140,000 (2017: approximately HK$29,814,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the Board, as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' skills, knowledge and involvement in the Company's affairs. None of the Directors are involved in deciding their own remuneration.

The employees are remunerated with basic salary, discretionary bonus and share options with reference to corporate and individual's performance during the year. The Group offers competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors, such as market conditions as well as corporate and individual's performance during the year.

EXECUTIVE DIRECTORS

Ms. Chan Shui Sheung Ivy ("Ms. Chan"), aged 54, was appointed as an executive Director on 25 August 2008. Ms. Chan graduated from the University of South Australia with a Master of Business Administration degree. Ms. Chan has over 24 years of experience in investment and is currently the director of certain subsidiaries of the Company. She is also a director of Channel Enterprises (Int'l) Limited.

Mr. Mok Tsan San ("Mr. Mok"), aged 48, was appointed as an executive Director on 12 August 2014. Mr. Mok is the managing director of Capital Union Investments Limited, a direct investment firm with a portfolio in Greater China and overseas. Mr. Mok was an executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Exchange**") during the period from April 2014 to December 2016. He was also a non-executive director of Casablanca Group Limited (stock code: 2223), from April 2015 to April 2018, an executive director of Hin Sang Group (International) Holding Co., Ltd. (stock code: 6893) during the period from May 2015 to September 2015 and a non-executive director of Newtree Group Holdings Limited (stock code: 1323) during the period from August 2014 to February 2016, all three companies listed on the Main Board of the Exchange. With over 15 years of solid experiences in fund raising and investment syndication in a number of ventures, he has helped, funded, and/or personally invested in and advised in a number of other Silicon Valley companies in Hong Kong, including but not limited to Facebook Inc. and Proteus Digital Health. Mr. Mok began his career in Babtie Asia Limited (now Jacobs Engineering Group Inc.), an international civil engineering consulting firm as an engineer. He holds a Bachelor of Science degree in Civil Engineering from Ohio State University.

NON-EXECUTIVE DIRECTOR

Mr. Lam Kwok Hing Wilfred, *J.P.* ("Mr. Lam"), aged 59, was appointed as a non-executive Director on 2 September 2013, re-designated as an executive Director with effect from 1 January 2014 and then redesignated again as a non-executive Director with effect from 1 December 2018. He has also been appointed as the Chairman of the Board, members of the nomination committee and the remuneration committee of the Company. Mr. Lam is currently the director of certain subsidiaries of the Company.

Mr. Lam is an executive director (re-designated from an executive director to a non-executive director on 1 July 2015 and from a non-executive director to an executive director on 12 April 2017) of Hong Kong Resources Holdings Company Limited (Stock Code: 2882), a company listed on the Main Board of the Exchange. Mr. Lam is also an independent non-executive director of National Arts Entertainment and Culture Group Limited (stock code: 8228), a company listed on GEM of the Exchange, since 22 March 2019.

NON-EXECUTIVE DIRECTOR *(Continued)*

Mr. Lam was a chairman and an executive director of Lamtex Holdings Limited (formerly known as China New Energy Power Group Limited) (Stock Code: 1041), a company listed on the Main Board of the Exchange from June 2015 to March 2016, and then was appointed as a consultant until March 2017. Mr. Lam was a non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145) a company listed on the Main Board of the Exchange from October 2011 to October 2017.

Mr. Lam is a Justice of Peace of the Hong Kong Special Administrative Region and was awarded the Queen's Badge of Honour in January 1997. He is also a Senior Assistant Commissioner (Development) of the Civil Aid Service. He holds a bachelor degree of Law with honours from The University of Hong Kong. He is a practising solicitor in Hong Kong, a consultant lawyer of WT Law Offices and Lam, Lee & Lai Solicitors & Notaries and a Civil Celebrant of Marriages. He also holds a professional qualification of Estate Agent's (Individual) License in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yuen Wai Man ("Ms. Yuen"), aged 47, was appointed as an independent non-executive Director on 4 July 2008. She was also appointed as the chairmen of the audit and remuneration committees of the Company and a member of nomination committee of the Company on 4 July 2008. She graduated from The University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Ms. Yuen has worked in accounting and auditing area for over 23 years. She is currently an independent non-executive director of China Eco-Farming Limited (stock code: 8166), a company listed on the GEM of the Exchange since 1 September 2016, and was an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board of the Exchange, during the period from November 2012 to November 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Chow Fu Kit Edward ("Mr. Chow"), aged 51, was appointed as an independent non-executive Director on 14 May 2012. He was also appointed as members of the audit committee, nomination committee and remuneration committee of the Company on 14 May 2012. Mr. Chow has over 23 years of experience in power industry and is specialised in business strategy development, change management, materials procurement and marketing for power company. He holds a Master's degree of Engineering in Mechanical Engineering from The University of Hong Kong and a Master's degree of Business Administration from The Chinese University of Hong Kong. He is a Chartered Engineer, member of Institution of Mechanical Engineers and The Hong Kong Institution of Engineers.

Mr. Lam Raymond Shiu Cheung ("Mr. Lam"), aged 53, was appointed as an independent non-executive Director on 1 September 2017. He was also appointed as the chairman of the nomination committee of the Company and member of the audit committee and remuneration committee of the Company on 1 September 2017. Mr. Lam graduated from the Victoria University of Melbourne, Australia, with a Bachelor of Business Degree majoring in banking and finance. He also earned a Master Degree in Applied Finance from Macquarie University of Australia. Mr. Lam has 26 years' extensive experience in business development and corporate finance. He started his career in corporate banking, after which he joined one of the biggest oil companies in the USA specializing in the area of business development.

Mr. Lam is currently an independent non-executive director of China Assurance Finance Group Limited (Stock Code: 8090) and Yin He Holdings Limited (Stock Code: 8260), all companies listed on the GEM of the Exchange. He is also an independent non-executive director of Kakiko Group Limited (stock code: 2225), a company listed on the Main Board of the Exchange. He was an executive director of Chinese Food And Beverage Group Limited (Stock Code: 8272) from April 2013 to January 2019, a company listed on GEM of the Exchange.

REPORT OF DIRECTORS

The Board presents this annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in businesses of properties investments, securities trading, loan financing, trading business and advising on securities and asset management.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 December 2018 by business segment is set out in Note 9 to the accompanying consolidated financial statements.

RESULTS

Details of the Group's results for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 62 and 64 of this annual report.

BUSINESS REVIEW AND COMMENTARY

The business review of the Group for the year ended 31 December 2018 is set out in the section headed "Management Discussion and Analysis" on pages 4 to 14 of this annual report.

Environmental performance

The Company is committed to conserving and protecting the natural resources while minimising impact on the environment. To build a greener future, the Company is committed to implementing policies and measures to foster reduction of the Group's environmental impact. Energy saving and power monitoring systems are in place for various business units to monitor our environmental performance. The Company also strives to follow energy saving practices in office premises where applicable.

For details, please refer to the section headed "Environmental, Social and Governance Report" on pages 49 to 57 of this annual report.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Compliance with laws and regulations

The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinance relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc.

The Group has also complied with the Stamp Duty Ordinance, Rating Ordinance and Inland Revenue Ordinance in respect of renting of premises during the year ended 31 December 2018.

During the year ended 31 December 2018, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

For details, please refer to the section headed "Environmental, Social and Governance Report" on pages 49 to 57 of this annual report.

Key relationships with stakeholders

The skills and competencies of the staff enable the Group to create value by building the corporate expertise to deliver business objectives.

The Company is committed to maintaining high standards of health and safety for staff. The Company ensures that the operations comply, at a minimum, with local health and safety laws as well as industry best practices. Routine training is provided to the staff to enable effective health and safety management throughout the organisation. Emergency preparation and contingency planning, for example, fire drill, have been developed to ensure incidents are responded to in a timely and effective manner.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Key relationships with stakeholders *(Continued)*

Safety is the pre-requisite for the Group to effectively run the business. Ensuring compliance with the required health, safety and labour standards is very important to the Group. The Group is committed to protecting the safety and health of the employees pursuant to relevant regulations and standards.

Employee management focuses on recruiting and growing the right people who add expertise while maintaining a broader outlook in the Company's industry. The Group's success is dependent on retaining employees in key areas of the business, therefore regularly review on remuneration packages to ensure competitiveness and promote training for the Company's staff is important. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

Apart from the relationship with employees, building sustainable and long-term relationships with tenants are also one of the Group's primary objectives. The Group strives to provide tenants with quality service and timely response to their enquiries. On-the-job training has been provided to staff to deal with tenants in various scenarios.

For details, please refer to the section headed "Environmental, Social and Governance Report" on pages 49 to 57 of this annual report.

Principal risks and uncertainties

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties affecting the Group include market risk, credit risk and liquidity risk which are set out in Note 7(b) to the accompanying consolidated 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 251 of this annual report.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Notes 49 and 21 to the accompanying consolidated financial statements, respectively.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year ended 31 December 2018 are set out in Note 18 to the accompanying consolidated financial statements.

DIVIDEND

The Directors do not recommend payment of final dividend for the year ended 31 December 2018 (2017: nil).

DIVIDEND POLICY

The Company has adopted a dividend policy that aims to enhance the Shareholders' value. The following parameters/factors shall be considered by the Board for declaration of dividend:

– Circumstances under which the Shareholders may or may not expect dividend;

– Financial parameters/factors that shall be considered for declaration of dividend;

DIVIDEND POLICY *(Continued)*

– Internal and external factors that shall be considered for declaration of dividend;

– Utilisation of retained earnings; and

– Multiple classes of Shares.

The payment of dividend is also subject to any restrictions under the applicable laws, the Company's bye-laws of the Company (the "**Bye-laws**").

The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

DONATION

During the year ended 31 December 2018, the Group's charitable donations amounted to HK$3,000.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 38 to the accompanying consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2018 are set out in the section headed "Consolidated Statement of Changes in Equity" on pages 67 and 68 of this annual report.

The Company had no reserves available for distribution to shareholders of the Company as at 31 December 2018 (2017: nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 November 2002 which was expired on 21 November 2012 (the "**Expired Share Option Scheme**"), to allow the Company to grant share options to the participants for the purpose of providing incentives or rewards to the participants for their contribution to the Group. Pursuant to an ordinary resolution passed and approved at the special general meeting of the shareholders of the Company held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. The general scheme limit of the Company is 17,231,751 shares which was refreshed on 28 June 2017 by the shareholders of the Company at the annual general meeting representing 10% of the issued share capital by the time of passing the relevant resolution and approximately 8% of the issued share capital as at the date of this annual report. Details of the share options granted and outstanding during the year ended 31 December 2018 were:

		Number of share options							
Name of category	Date of grant of share options	Outstanding as at 01.01.2018	Granted	During the year ended 31 December 2018 Exercised	Cancelled	Lapsed	Outstanding as at 31.12.2018	Validity period of shares options	Exercise price *HK$*
Employees	23/3/2016	677,157	–	–	–	–	677,157	23/3/2016–22/3/2026	6.1640*
Consultants	23/3/2016	1,950,056	–	–	(975,028)	–	975,028	23/3/2016–22/3/2026	6.1640*
Directors									
Lam Kwok Hing Wilfred	23/3/2016	297,870	–	–	–	–	297,870	23/3/2016–22/3/2026	6.1640*
Chan Shui Sheung Ivy	23/3/2016	297,870	–	–	–	–	297,870	23/3/2016–22/3/2026	6.1640*
Mok Tsan San	23/3/2016	297,870	–	–	–	–	297,870	23/3/2016–22/3/2026	6.1640*
		3,520,823	–	–	(975,028)	–	2,545,795		

* *Following the Open Offer and Share Consolidation on 26 June 2017 and 27 June 2017 respectively, the exercise price of the outstanding share options was adjusted from HK$0.6120 to HK$6.1640.*

A summary of the Expired Share Option Scheme and the new share option scheme of the Company is set out in Note 39 to the accompanying consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 40 to the accompanying consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws and the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

EQUITY-LINKED AGREEMENTS

Other than (i) the placing agreement dated 29 January 2018 and 20 June 2018, both as set out in the section headed "Management Discussion and Analysis" and under sub-heading "Fund Raising Activities", (ii) the sales and purchase agreement dated 23 May 2018 as supplemented by the supplemental agreement dated 5 September 2018 as set out in the section headed "Significant Investment" and (iii) the share option scheme of the Company as set out in Note 39 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisting during the year ended 31 December 2018.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and supplier respectively for the year ended 31 December 2018 is as follows:

	Percentage of revenue
The largest customer	61.03%
Five largest customers combined	92.27%

	Percentage of purchase
The largest supplier	100%
Five largest suppliers combined	100%

The principal businesses of the Group are properties investments, securities trading, loan financing, trading business and advising on securities and asset management.

During the year ended 31 December 2018, none of the Directors, their close associates, or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had an interest in the Group's five largest customers and suppliers.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group are disclosed in Note 41 to the accompanying consolidated financial statements.

These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting date are set out in Note 52 to the accompanying consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2018 and up to the date of this annual report are:

Executive Directors
Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

Non-executive Director
Mr. Lam Kwok Hing Wilfred *J.P. (Chairman)* (Re-designated from Executive Director to Non-executive Director on 1 December 2018)

Independent Non-executive Directors
Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

Under the Bye-laws, all Directors are subject to retirement by rotation at least once every three years.

In accordance with Bye-laws no. 87(1), Mr. Lam Kwok Hing Wilfred and Mr. Mok Tsan San will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

Pursuant to Code Provision A.4.3 of the Corporate Governance Code and Corporate Governance Report, (Appendix 15) to the GEM Listing Rules, if an independent non-executive director serves more than 9 years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders. Upon the expiry of the current employment contract, Ms. Yuen Wai Man has served on the Board for more than 9 years. The reasons why the Board believes she is still independent and shall be re-elected would be included in the papers to shareholders accompanying the condition for her re-election. According to the above GEM Listing Rules, Ms. Yuen Wai Man shall retire from office at the forthcoming annual general meeting and, being eligible, will offer herself for re-election at the forthcoming AGM.

DIRECTORS *(Continued)*

The non-executive Directors are appointed for a specific term, subject to retirement by rotation in accordance with the Bye-laws.

None of the Directors being proposed for re-elections at the forthcoming AGM 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.

BOARD OF DIRECTORS' BIOGRAPHIES

Biographical details of the Directors as at the date of this annual report are set out on pages 15 to 17 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the Directors and the five highest paid employees of the Group are set out in Notes 14 and 15 to the accompanying consolidated financial statements, respectively.

SERVICE CONTRACT AND APPOINTMENT LETTER OF DIRECTORS

Mr. Lam Kwok Hing Wilfred has entered into an appointment letter with the Company effective from 2 September 2013 as a non-executive Director and was terminated on 31 December 2013. He has entered into another appointment letter with the Company effective from 1 January 2014 regarding the re-designation from non-executive Director to executive Director and the appointment as chairman of the Board. He has further entered into another appointment letter with the Company effective from 1 December 2018 regarding the re-designation from executive Director to non-executive Director while remains as chairman of the Board.

Ms. Chan Shui Sheung Ivy has entered into an appointment letter with the Company effective from 1 January 2013.

Mr. Mok Tsan San has entered into an appointment letter with the Company effective from 12 August 2014.

SERVICE CONTRACT AND APPOINTMENT LETTER OF DIRECTORS *(Continued)*

Ms. Yuen Wai Man has entered into an appointment letter with the Company for a fixed term from 1 January 2019 to 31 December 2019.

Mr. Chow Fu Kit Edward has entered into an appointment letter with the Company for a fixed term from 1 January 2019 to 31 December 2019.

Mr. Lam Raymond Shiu Cheung has entered into an appointment letter with the Company for a fixed term from 1 September 2018 to 31 December 2019.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business pursuant to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at 31 December 2018 or at any time during the year ended 31 December 2018.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the year ended 31 December 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2018, the interests and short positions of the Directors and the 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**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Number of underlying shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	297,870 *(Note)*	0.14%
Chan Shui Sheung Ivy	Beneficial owner	9,000	297,870 *(Note)*	0.14%
Mok Tsan San	Beneficial owner	–	297,870 *(Note)*	0.14%

Note:

All underlying shares are share options granted by the Company on 23 March 2016 under the Company's share option scheme at the exercise price of HK$6.1640 per share which was adjusted after taking into account the effect of the open offer and share consolidation of the shares became effective on 26 June 2017 and 27 June 2017 respectively.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the year ended 31 December 2018 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2018.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interests
Ng Kam Ching	Beneficial owner	34,986,600	16.92%

As at 31 December 2018, the number of shares issued by the Company was 206,777,513.

Save as disclosed above, the Directors were not aware of any other persons, other than a director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as at 31 December 2018 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Exchange.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report from pages 32 to 48 of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 31 December 2018 as required under the GEM Listing Rules.

AUDITOR

The consolidated financial statements for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 were audited by Asian Alliance (HK) CPA Limited.

On behalf of the Board
Lam Kwok Hing Wilfred
Chairman

Hong Kong, 27 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (Appendix 15) to the GEM Listing Rules (the "**CG Code**") for the year ended 31 December 2018 except for the following deviation:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the year, the Company did not appoint a chief executive. The Board will keep reviewing the current structure from time to time and appoint candidate with suitable knowledge, skill and experience as chief executive of the Company, if identified.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Code of Conduct**"). Following a specific enquiry, all Directors confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of six Directors, two of whom are executive Directors, namely Ms. Chan Shui Sheung Ivy and Mr. Mok Tsan San, one of whom is non-executive Director, namely Mr. Lam Kwok Hing Wilfred, and three of whom are independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung.

Biographical details of each Director are set out in the section headed "**Board of Directors**" from pages 15 to 17 of this annual report.

BOARD OF DIRECTORS *(Continued)*

The Company is committed to having a diversity of the Board to complement the Company's corporate strategy. The Company considers that having a Board with diverse culture would assure Directors that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board includes a balanced composition of executive Directors, non-executive Director and independent non-executive Directors, and possesses a wide spectrum of relevant skills and experience. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his or her duties effectively and efficiently. The participation of the independent non-executive Directors in the Board brings independent opinion on issues relating to the Group's strategy, performance, conflicts of interest and management process in order to ensure the interests of all shareholders of the Company have been duly considered. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Throughout the year ended 31 December 2018, the Board consisted of three independent non-executive Directors, two of them have appropriate professional qualification or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

All non-executive Directors are appointed for specific term of one year. They are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws.

BOARD OF DIRECTORS *(Continued)*

Pursuant to Rule 5.09 of the GEM Listing Rules, the Company has received a written confirmation from each of the independent non-executive Directors of his/her independence to the Company. The Company considers all independent non-executive Directors to be independent.

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and oversight of management. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the executive Directors and senior management of the Company, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through the executive Directors who have attended the Board meetings.

During the year ended 31 December 2018, 17 Board meetings, and 1 annual general meeting were held. Details of the attendance of the Directors are as follows:

Directors	Attendance of Board meetings	Attendance of General meetings
Executive Directors		
Ms. Chan Shui Sheung Ivy	16/17	1/1
Mr. Mok Tsan San	14/17	1/1
Non-executive Directors		
Mr. Lam Kwok Hing Wilfred *(Chairman)* (re-designated from executive Director to non-executive Director on 1 December 2018)	17/17	1/1
Independent Non-executive Directors		
Ms. Yuen Wai Man	15/17	1/1
Mr. Chow Fu Kit Edward	16/17	1/1
Mr. Lam Raymond Shiu Cheung	16/17	1/1

BOARD OF DIRECTORS *(Continued)*

A meeting of the independent non-executive directors and the chairman of the Company without the presence of executive Directors was held during the year ended 31 December 2018, pursuant to code provision A.2.7 of the CG Code.

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Directors will receive details of agenda items for decision and summary of the committee meetings held in advance of each Board meeting (if any).

The company secretary of the Company (the "Company Secretary") is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

Any Director wishing to do so in the furtherance of his or her duties may take independent professional advice at the Company's expense. Directors get familiar with the Group through initial induction, on-going participation at the Board and committee meetings, and meeting with key members of management. The Directors are encouraged to update their skills and knowledge.

TRAINING FOR DIRECTORS

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

TRAINING FOR DIRECTORS *(Continued)*

The Directors are committed to complying with Code Provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2018 to the Company.

The individual training record of each Director received for the year ended 31 December 2018 is summarised as follows:

Directors	Type of continuous professional development programmes
Executive Directors	
Ms. Chan Shui Sheung Ivy	B
Mr. Mok Tsan San	B
Non-executive Director	
Mr. Lam Kwok Hing Wilfred *J.P.* *(Chairman)* (Re-designated from Executive Director to Non-executive Director on 1 December 2018)	A
Independent Non-executive Directors	
Ms. Yuen Wai Man	A
Mr. Chow Fu Kit Edward	B
Mr. Lam Raymond Shiu Cheung	B

notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 12 August 2005 with written terms of reference. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung; and one non-executive Director, Mr. Lam Kwok Hing Wilfred. Ms. Yuen Wai Man is the chairman of this committee.

The role and function written in the terms of reference of the remuneration committee are no less exacting terms than the CG Code. The remuneration committee makes recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives. No Directors or any of his/her associates can be involved in deciding his/her own remuneration. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration are considered by the remuneration committee to determine the remuneration package of individual executive Directors including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment; or relating to dismissal or removal for misconduct to ensure that it is consistent with contractual terms and is otherwise fair, not excessive, reasonable and appropriate.

For the year ended 31 December 2018, the remuneration committee of the Company held three meetings and passed certain written resolutions to (i) review the policy and structure of the remuneration packages for the Directors; (ii) make recommendations to the Board on the remuneration proposal for the appointment of independent non-executive Directors and the re-designation of Director; and (iii) review Directors' salary.

Details of the attendance of the Company's remuneration committee meetings are as follows:

Members	Attendance
Ms. Yuen Wai Man *(Chairman)*	3/3
Mr. Lam Kwok Hing Wilfred	3/3
Mr. Chow Fu Kit Edward	3/3
Mr. Lam Raymond Shiu Cheung	3/3

The remuneration payable to Directors depends on their respective contractual terms under service contract/letter of appointment, if any, and as recommended by the Remuneration Committee and approved by the Board.

NOMINATION COMMITTEE

The nomination committee of the Company was established on 12 August 2005 with written terms of reference which was further revised on 31 December 2018. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung; and one non-executive Director, Mr. Lam Kwok Hing Wilfred. Mr. Lam Raymond Shiu Cheung is the chairman of this committee.

The nomination committee is responsible for reviewing the structure, size, composition and diversity of the Board annually in order to make recommendations to the Board on any proposed changes in relation to the Directors' appointment, re-appointment and independence of independent non-executive Directors.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The board diversity policy was further revised on 31 December 2018. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

For the year ended 31 December 2018, the nomination committee of the Company held three meetings and passed certain written resolutions to (i) make recommendations to the Board on the appointment of independent non-executive Directors and the re-election of Directors at the general meeting; (ii) review the structure, size, composition and diversity of the Board members; (iii) assess the independence of the independent non-executive Directors; (iv) review and consider the vacancy of chief executive of the Company; (v) make recommendations to the Board on the re-designation of Director and the amendment of terms of reference of this committee and Board diversity policy the Company.

Details of the attendance of the Company's nomination committee meetings are as follows:

Members	**Attendance**
Mr. Lam Raymond Shiu Cheung *(Chairman)*	3/3
Mr. Lam Kwok Hing Wilfred	3/3
Ms. Yuen Wai Man	3/3
Mr. Chow Fu Kit Edward	3/3

DIRECTOR NOMINATION POLICY

Director Nomination Policy of the Group ("**Nomination Policy**") is in place and was adopted in writing in the Year taking into consideration the revised Listing Rules effective from 31 December 2018. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules which was further revised on 31 December 2018. As at the date of this annual report, the Company's audit committee comprises three independent non-executive Directors; namely Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung. Ms. Yuen Wai Man is the chairman of this committee.

The primary duties of the audit committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor whilst getting the way with them to maximize their independence and objectivity and to approve the remuneration and term of engagement of the external auditor; reviewing the Company's financial statements, annual report and accounts, interim report and quarterly reports and financial reporting judgments contained therein; overseeing the effectiveness of the audit financial reporting system, risk management and internal control systems of the Group; and reviewing the confidential arrangements that employees of the Company may use to report and by way of which facilitating the above-mentioned duties.

For the year ended 31 December 2018, the audit committee of the Company (the "**Audit Committee**") held five meetings and passed certain written resolutions to review and supervise the financial reporting process, to conduct internal control review, and to make recommendation to the Board on (1) the re-appointment of auditor; (2) the engagement of a consultant firm for provision of the Group's internal audit function and environmental, social and governance reporting; (3) enterprise risk assessment of the Group; and (4) internal audit work plan; and (5) amendment of terms of reference of this committee. They had reviewed the quarterly, interim results and, in conjunction with the external auditor of the Company, reviewed the annual results of the Group and recommended to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDIT COMMITTEE *(Continued)*

Review of Risk Management and Internal Control Systems

The Audit Committee is delegated by the Board with the responsibility to provide independent oversight of the Group's financial reporting, risk management and internal control systems, and the adequacy of the external and internal audits. The Audit Committee reviewed the effectiveness of the Group's risk management and internal control systems by reviewing the reports (including the internal audit workplan) issued by the independent external assurance provider, and the internal control self-assessment from management.

The Audit Committee reviewed and concurred with the management's confirmation that for the year ended 31 December 2018: (i) the Group's risk management and internal control systems were effective and adequate; and (ii) the Group had complied satisfactorily with the requirements of the CG Code in respect of risk management and internal control systems.

Review of Accounting, Financial Reporting and Internal Audit Functions

The Audit Committee reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes, on the Group's accounting, financial reporting and internal audit functions.

The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

Details of the attendance of the Audit Committee meetings are as follows:

Members	Attendance
Ms. Yuen Wai Man *(Chairman)*	5/5
Mr. Chow Fu Kit Edward	5/5
Mr. Lam Raymond Shiu Cheung	5/5

The Group's unaudited quarterly and interim results and audited annual results of the year 2018 were reviewed by this committee.

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of Directors and senior management;

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

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

e) to review the Company's compliance with the corporate governance code and disclosure in the corporate governance report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2018, the remuneration paid/payable to the Company's external auditor, Asian Alliance (HK) CPA Limited, is set out below:

	HK$'000
Services rendered to the Group	
– Audit services	985
– Non-audit services	–
	985

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

All Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. Except from the issues discussed under paragraph "Multiple fundamental uncertainties relating to going concern" in the Independent Auditor's Report, as at 31 December 2018, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statements of the external auditor of the Company, Asian Alliance (HK) CPA Limited, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 58 to 61 of this annual report.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

COMPANY SECRETARY

Ms. Cheung Ching Man ("**Ms. Cheung**"), delegated by an external service provider, was appointed as the Joint Company Secretary on 1 February 2013 and acts as the sole Company Secretary with effect from 7 June 2016 following the confirmation by the Exchange that Ms. Cheung met the requirements to be the sole Company Secretary under the GEM Listing Rules.

Pursuant to Rule 5.15 of the GEM Listing Rules, Ms. Cheung has taken no less than 15 hours of relevant professional training during the year ended 31 December 2018.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company in Bermuda for the attention of the Company Secretary.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the head office of the Company in Hong Kong or the registered office in Bermuda, or by e-mail to info@chinesestrategic.com for the attention of the Company Secretary.

SHAREHOLDERS' RIGHTS *(Continued)*

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder(s) of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists: (a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; (b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office and principal place of business in Hong Kong of the Company for the attention of the Company Secretary.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Company has disclosed all necessary information to its shareholders and investors in compliance with the GEM Listing Rules. Moreover, the Board maintains close communications with the shareholders and investors of the Company through a number of formal communication channels which include (i) the publication of the Company's latest business developments and financial performance through its annual, interim and quarterly reports, notices, announcements and circulars; (ii) the general meetings providing an opportunity for the shareholders of the Company to raise comments and exchanging views with the Board; and (iii) the Company's website provides an effective communication platform between the Company and its investors.

There was no significant change in the Company's constitutional documents for the year ended 31 December 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective risk management and internal control systems to safeguard the interests of shareholders and the Group's assets. The Board also acknowledges its responsibility for overseeing the Group's risk management, financing reporting, and internal control systems on an ongoing basis and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

To this end, appropriate policies and controls have been 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. Besides, management continues to allocate resources for the risk management and internal control systems to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Board, through the Audit Committee, has delegated the internal audit function to an independent external assurance provider, who has conducted a review on the adequacy and effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2018. The Board considers that the Group's risk management and internal control systems are effective and adequate.

The Board, through the Audit Committee, leads and provides direction to management by laying down strategies and overseeing their implementation by management, monitors the Group's operational and financial performance, and ensures that sound risk management and internal control systems are in place.

The Board reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes, on the Group's accounting, financial reporting and internal audit functions.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Board, through delegation of its authority to an environmental, social and governance ("**ESG**") working group, is also responsible for reviewing the Company's corporate social responsibility strategies, principles and policies; setting guidelines, direction and overseeing practices and procedures; and monitoring progress on the Company's corporate social responsibility and related activities.

The following highlights the key risk management measures under the Group's "**Three Lines of Defence**" model and enhancements made by the Group for the year 2018.

1st line of defence – Risk management

- Management conducted an annual Internal Control Self-Assessment for the year 2018. Management confirmed that appropriate internal control policies and procedures have been established and complied with.

- Various policies, procedures and guidelines are in place with defined authority for effective segregation of duties, controls and risk management, and they are subject to regular review.

- The Group's anti-bribery and anti-corruption guidelines are in place to set out minimum standards in recognizing circumstances which may lead to or give the appearance of involving corruption or unethical business conduct, to help avoid conduct which is clearly prohibited, and to encourage everyone in the Group to seek appropriate guidance promptly when needed.

- The Group's whistleblowing policy is in place to facilitate internal reporting of any malpractice and unethical conduct within the Group without fear of reprisal and victimization.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

2nd line of defence – Risk oversight

- The Group's Enterprise Risk Management ("**ERM**") Policy is developed to outline the principles, governance, roles and responsibilities, and approach within a coherent risk management framework that addresses and prioritizes risks that are material and relevant to the Group's corporate goals.

- The Group's ERM Framework aims to help management assess and manage risks arising from and associated with new business activities and environments, including emerging risks. An integrated risk assessment approach was adopted to address risks across various subsidiaries of the Group, to assess those risks on an integrated group-wide basis.

3rd line of defence – Independent assurance

- The external assurance provider takes up the internal audit function, who is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control systems and reporting the review results regularly to the Board through the Audit Committee.

For internal audit, a risk-based approach is adopted. The three years' work plan of external assurance provider for internal audit, is subject to review annually, covers major activities and processes of the Group's operations, businesses and service units. The results of these audit activities are communicated to the Audit Committee and key members of senior management of the Group. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the Audit Committee and senior management of the Group (as the case may be) periodically. The external assurance provider for internal audit provides independent assurance to the Board, the Audit Committee and the senior management of the Group on the adequacy and effectiveness of internal controls for the Group.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Group's ERM Policy is established by the Board as an effective and adequate approach to be applied across the Group to manage the risks associated with its business and operations. This policy is designed to enhance enterprise risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

(i) promote consistent risk identification, measurement, reporting and mitigation;

(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

(iii) develop and communicate policies on enterprise risk management and controls aligned with the business strategy; and

(iv) enhance reporting to provide transparency of risks across the Group.

The Company has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the management of the Group at least annually to assess whether the risk management and internal control systems are functioning effectively in the belief that this will enhance the corporate governance of the Company and its business practices in the future.

The Company regulates the handling and dissemination of inside information as set out in the Code of Conduct to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report was approved by the Company's Board of Directors and aims to provide a balanced representation of the Group's effort on the corporate social responsibility in the Marketplace, Workplace, Community and Environment which cover the Group's operations for the financial year ended 31 December 2018 (the "Year").

Reporting Framework

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 20 of the GEM Listing Rules.

ESG Working Group

Steered by the Board of Directors, the Company has established an ESG working group, which has clear terms of reference that set out the powers delegated to it to enhance our commitment to transparency and accountability.

Corporate Social Responsibility ("CSR") Vision, Policy and Strategy

The Group adopts the CSR Policy in order to commit to the highest standards of corporate governance, and aims to integrate CSR into the Group's business strategy and management approach.

CSR is viewed as a business philosophy that creates shared sustainable value with its stakeholders in the economic, social and environmental dimensions. The Group's CSR vision and CSR Policy guide the Group's business and operational decisions to take into account its responsibility to the CSR cornerstones with pragmatic objectives providing guidance on the application of these principles in its daily operations. The Group's CSR Policy describes our long-term approach to specific issues in the four cornerstones: Marketplace, Workplace, Community and Environment, which is instrumental in enabling our business to operate in a sustainable manner. Within each of the cornerstones, core principles and pragmatic objectives provide guidance on practicing CSR in our daily operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Stakeholders Engagement

The Group endeavours to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, customers and the wider community. We continue to interact with our stakeholders on an ongoing basis in order to understand their views and collect their feedback. We have also established effective communication channels with our stakeholders through company website, annual general meeting and staff meetings. The opinions of stakeholders are vastly beneficial to formulating and implementing sustainable development strategies whereby we can improve our ESG performance.

MARKETPLACE

The Group, endeavoring to provide professional financial services to its clients, is well known for its commitment towards a corporate culture that embraces strong principles of business ethics across its organizational hierarchy. The core area under the compliance rules of the Group is the renting of premises, which is subject to laws and regulations, including Stamp Duty Ordinance, Rating Ordinance, and Inland Revenue Ordinance. No case of non-compliance to any relevant laws and regulations relating to the renting of premises that had a significant impact over it was identified for the Year.

Supply Chain Management

Maintaining an efficient and fair supply chain is a top agenda of the Group which lays a significant attention on its set of suppliers who are considered the harbingers of good reputation for the Group. The associated sustainability impacts on the business operations as well as an enhanced performance are the major outcomes of a cordial relationship with the suppliers. The Group has therefore sought to address the varied needs of the stakeholders by laying a focus on responsible behavior, equality, and sensitivity while undertaking its supplier selection, negotiations, governance, and re-compensations.

MARKETPLACE *(Continued)*

Product and Service Responsibility

Safeguarding personal data and privacy of its customers and employees is among the priority areas of the Group, which has also ensured compliance to a set of security guidelines and ordinances in place. For instance, the Group ensures a strict compliance of all collected and processed data to the Personal Data (Privacy) Ordinance and other guidelines issued by Office of the Privacy Commissioner for Personal Data. The Group also aims to further strengthen its focus on Personal Data Privacy protection by following stringent adherence to such information security controls.

During the Year, the Group is not aware of any material non-compliance with the relevant laws and regulations relating to products and services safety that have or may result in significant impact on the Group.

Anti-Corruption

The Group also aims at maintaining a fair internal working environment and cordial relationships among its employees. Anti-corruption measures and laws are enforced within the business arena of the Group as well as its internal working mechanisms to ensure honesty and integrity. The whistle blowing policy is a good example of an anti-corruption, anti-fraud, and anti-malpractice policy followed by the Group which encourages reporting of any inappropriate behavior through procedures well-in-place. During the Year, no violation of related rules and regulations on bribery extortion, fraud and money laundering was identified.

WORKPLACE

The Group's workforce is its greatest asset, and the progress made by the Group over the recent years is a testimony to their dedication and quality efficiency. Valuing diversity, recognizing and rewarding talent, incessantly working towards skill development, and ensuring safety and wellbeing are the basic pillars of the work culture promoted and encouraged by the Group.

Employment

The Group has several non-discriminatory policies and practices well in place, to ensure equal opportunities across all sexes, ethnicities, races, ages, and religions. Such policies entail the processes of recruitment to promotion, and embark upon a sole focus on the qualifications, experience, and merits of the applicants and staff.

WORKPLACE *(Continued)*

Employment *(Continued)*

Diversity is another significant asset of the Group which is considered as its greatest strength. As an organization, the Group seeks to respect diversity across all levels and strives towards a work environment offering breakthrough ideas for the clients and development opportunities for the employees.

During the Year, The Group is not aware of any material non-compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

Health and Safety

Ensuring a safe working environment has been a priority concern for the Group, which is highly committed to maintaining high standards of health and safety for staff. The Group ensures that the operations at each company location comply, at a minimum, with the local health and safety laws along with a goal to attain the industry best practices as well. It also has its own set of health and safety policies and procedures for its constituent offices and work sites, health and safety management training, along with routine emergency and contingency planning (such as fire drill).

In addition to such routine drills and practices, all permanent staff members of the Group are covered by insurance guided by the Employees' Compensation Ordinance and the Mandatory Provident Fund ("MPF") scheme in accordance with the MPF Schemes Ordinance.

During the Year, the Group is not aware of any material non-compliance with the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

WORKPLACE *(Continued)*

Development and Training

Aiming at a strong, stable, and effective workforce, the Group ensures the provision of appropriate training and development opportunities to its employees. Programs such as on-the-job training, management training, occupational health and safety management, and other compliance and policies training have been included under its training development framework designed for the employees working at different positions. A regular evaluation of the training programs is also done to ensure their effectiveness. These programs are aimed at supporting the staff training, individual staff's personal growth, as well as a long-term career development planning. The Group has also made a recent provisioning of a 1 week to 2 weeks on-the-job training for the new hires to enable them to learn about company ethics and equip relevant business skills.

Labor Standards

Another step taken for a motivated and enthusiastic work force is the provision of competitive remuneration and welfare packages to the employees. Appropriate promotion opportunities, salary adjustments, rewards and recognition are ensured through a robust system of remunerations and associated benefits. The aim is to aptly reward the performance of each individual to retain the talent for Group's development.

The Group is strongly committed to ensuring strict adherence to the Personal Data (Privacy) Ordinance, the Employment Ordinance, the Minimum Wage Ordinance, and other ordinances relating to occupational safety, as well as disability, sex, family status, and race discrimination. The Employee Handbook provided by the Group mentions all about the non-discrimination statement, statement on work hours to ensure the adherence to all human rights.

During the Year, the Group is not aware of any non-compliance with relevant laws and regulations in relation to the prevention of child and forced labour on the Group.

COMMUNITY

Community occupies a significant position for the long-term success of the Group. It is for this reason that the Group puts additional efforts in being recognized as a responsible corporate citizen. The Group sought to present its activities being based on the sense of a shared value by not only being an active supporter of charitable organizations itself, but also encouraging its employees to spend time for charitable activities with which they associate themselves. Particularly, the Group has maintained reserved funds for supporting social services which can be witnessed by way of the contribution made by the group with donation of HK$3,000 and 130 hours for charitable purposes during the Year. In addition to this, the Group has actively encouraged a sense of responsibility among the staff members and their families towards the society, needy and particularly the physically disabled. Such an attitude has been deemed to be based on the values of harmony, equality, and fairness. Thereby indicating that such active engagement on the part of the employees is a determinant of increased loyalty towards the organization.

ENVIRONMENT

The Group lays focus on the preservation of the natural environment by adhering to the laws and regulations adopted by the local authorities to curtail the high emissions of greenhouse gas. The Group and its members are well aware of its social and environmental responsibilities towards environment friendly operations in order to build a sustainable working and living environment.

The major business operations of the Group for the Year included property investments, securities trading, loan financing, trading business and advising on securities and asset management. These operations are mainly carried out in offices and do not have significant impact on the environment and natural resources thus the Group's emission relating to air, greenhouse gas emissions and discharges into water and land as well as the generation of hazardous and non-hazardous wastes are minimal in the Year.

ENVIRONMENT *(Continued)*

Energy Consumption and Green House Gas ("GHG") Emission

The major sources of emission of GHG by the Group are fuel used for its vessel and motor vehicles and consumption of electricity for its office operations. The Group has therefore, directed efforts to monitor and minimize its mobile fuel and electricity usage in its workplace by the use of environmentally friendly public transportation and office equipment as well as by encouraging our employees to share rides where possible and to keep the indoor temperature within the office at 24 to 26 degrees Celsius.

Overview of energy consumption

	2017 kWh	2018 kWh	Variance Increase/ (decrease)
Electricity	57,672	54,963	(5%)
Mobile fuel	222,367	204,915	(8%)
Total energy consumption	280,039	259,878	(7%)
Energy consumption intensity[1]			
Per square feet	21.3	19.8	(7%)

Note:

1. Energy consumption intensity is calculated by dividing the total energy consumption by the area of the Group's office. The office area is approximately 13,144 square feet for both 2017 and 2018.

ENVIRONMENT *(Continued)*

Energy Consumption and Green House Gas ("GHG") Emission *(Continued)*

Overview of carbon footprint

	2017 (kgCO2e)	2018 (kgCO2e)	Variance Increase/ (decrease)
Scope 1: Direct emissions[2]			
Carbon dioxide	56,920	52,010	(9%)
Scope 2: Indirect emissions[3]			
Carbon dioxide	31,140	28,030	(10%)
Total GHG emissions (Scope 1+2)	88,060	80,040	(9%)
GHG emissions intensity[4]			
Per square feet	6.7	6.1	(9%)

Notes:

1. The above calculation is based on the reference and tools provided by Environmental Protection Department. https://www.carbon-footprint.hk/node/52

2. Scope 1 refers to direct GHG emissions such as fuel consumption.

3. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity.

4. GHG emissions intensity is calculated by dividing the total GHG emissions by the area of the Group's office.

During the Year, the Group's mobile fuel consumption decreased by 8% from 222,367 kWh in 2017 to 204,915 kWh in 2018. Meanwhile, the direct GHG emission also decreased by 9% from 56,920 kg of CO_2 equivalent in 2017 to 52,010 kg of CO_2 equivalent in the Year. As a means to reduce energy consumption, the office air-conditioning unit is set to switch off automatically from 8 p.m. to 8 a.m. of the following day. In addition, the Group continued to encourage behavioral change, through e-communication to all employees to promote a green walking environment. Hence, the Group's electricity consumption decreased by 5% from 57,672 kWh in 2017 to 54,963 kWh in the Year and the related indirect GHG emission decreased from 31,140 kg of CO_2 equivalent in 2017 to 28,030 kg of CO_2 equivalent in the Year. The total GHG emission also decreased by 9% from 88,060 kg of CO_2 equivalent in 2017 to 80,040 kg of CO_2 equivalent in the Year.

ENVIRONMENT *(Continued)*

Energy Consumption and Green House Gas ("GHG") Emission *(Continued)*

The principal activities of the Group are not in production, hence water is used mainly for domestic purpose at our office and the Group does not have any concern in sourcing water that is fit for such purpose. The Group will continue to promote energy and water-saving behavior under its overall environmental management agenda.

Waste management

Paper waste is the major waste that has been identified in the Group's business operation. The Group encourages employees to maximize the usage of soft and electronic copies instead of hardcopies to create a paperless environment.

Moreover, the Group follows proper waste management both within its workplace, and outside. There is no generation of any kind of hazardous waste in the workplace. The Group currently does not report on the volume of non-hazardous waste produced, but proper reuse and recycle guidelines are followed for the disposal of non-hazardous waste which is segregated into paper and tins. Reusing the waste products and duplex print is also strongly encouraged by the Group.

Regulatory compliance

The Group is not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and GHG emission, discharges into water and land and generation of hazardous and non-hazardous wastes.

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE MEMBERS OF CHINESE STRATEGIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Chinese Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 250, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation on interests in joint ventures

As stated in Note 22 to the consolidated financial statements, the Group has equity accounted for its interest in Chinese Capital Union Financial Limited ("CCUF"), a joint venture of the Group. As at 31 December 2018, both the cost of investment in CCUF and share of post-acquisition loss were HK$3,000,000, and the Group's share of loss of CCUF for the year ended 31 December 2018 was approximately HK$1,491,000. In additions, there was a receivable of approximately HK$1,824,000 due from CCUF and amount due to CCUF of HK$3,000,000 as at 31 December 2018. However, during the course of our audit, we have not been able to obtain sufficient information and explanations from the management of CCUF that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of CCUF's result for the year and thus the carrying amount of the interest in CCUF and the receivable due from and payable to CCUF included in the Group's consolidated statement of financial position as at 31 December 2018 are fairly stated and whether the summarised financial information of CCUF as shown in Note 22 to the consolidated financial statements are properly disclosed. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence in this regard.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Scope limitation on interests in joint ventures *(Continued)*

Any adjustment to the amount of the above interest in CCUF found to be necessary would affect the Company's net assets as at 31 December 2018 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

Multiple fundamental uncertainties relating to going concern

As described in Note 2 to the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK$221,601,000 and had net cash used in operating activities of approximately HK$128,833,000 for the year ended 31 December 2018. As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately HK$97,774,000, in which total borrowings amounted to approximately HK$142,349,000, while its cash and cash equivalents amounted to approximately HK$7,185,000 only.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As explained in Note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company (the "Directors") on a going concern basis, the validity of which is dependent on the Group's ability to obtain sufficient future funding. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Multiple fundamental uncertainties relating to going concern *(Continued)*

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this material uncertainty relating to going concern basis and their cumulative effect on the consolidated financial statements is so extreme that we have disclaimed our opinion.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Section 90 of the Bermuda Companies Act and Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Chan Mei Mei
Practising Certificate Number: P05256

Suites 313-316
3/F., Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	*8*		
Rental income		**2,516**	2,453
Interest income		**1,814**	3,614
Sales of goods		**20,544**	4,200
Dividend income		**12**	–
Total revenue		**24,886**	10,267
Cost of sales		**(20,381)**	(4,312)
Gross profit		**4,505**	5,955
Other income	*10a*	**606**	988
Other gains and losses	*10b*	**(105,002)**	9,064
Administrative expenses		**(80,552)**	(80,221)
Impairment losses, net of reversal	*10c*	**(22,770)**	(2,188)
Share of results of associates	*21*	**(11)**	224
Share of results of joint ventures	*22*	**11,198**	1,009
Operating loss		**(192,026)**	(65,169)
Finance costs	*11*	**(27,237)**	(20,673)
Loss before tax		**(219,263)**	(85,842)
Income tax expenses	*13*	**(167)**	(213)
Loss for the year	*12*	**(219,430)**	(86,055)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 **HK$'000**	2017 HK$'000
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	**(27)**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(5)**	4
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**–**	(24,304)
Share of translation reserve of a joint venture	**(8,692)**	11,725
	(8,697)	(12,575)
Other comprehensive expense for the year, net of income tax	**(8,724)**	(12,575)
Total comprehensive expense for the year	**(228,154)**	(98,630)
(Loss) profit for the year attributable to:		
Owners of the Company	**(221,601)**	(86,462)
Non-controlling interests	**2,171**	407
	(219,430)	(86,055)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(230,325)**	(99,037)
Non-controlling interests		**2,171**	407
		(228,154)	(98,630)
Loss per share	*17*		
Basic (HK cents)		**(107.17) cents**	(57.79) cents
Diluted (HK cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	18	**7,221**	4,017
Prepaid lease payment – non-current portion	19	**18,726**	19,114
Investment properties	20	**164,840**	117,700
Interests in associates	21	**397**	400
Interests in joint ventures	22	**184,518**	182,012
Club debentures	23	**2,690**	2,690
Intangible assets	24	**5,732**	–
Financial assets at fair value through profit or loss	28	**7,468**	7,500
Deposit paid for acquisition of a subsidiary	29	**3,302**	–
Available-for-sale financial assets	25	**–**	3,634
Equity instruments at fair value through other comprehensive income	26	**2,426**	–
		397,320	337,067
CURRENT ASSETS			
Loan and interest receivables	27	**25,778**	50,964
Financial assets at fair value through profit or loss	28	**33,294**	224,181
Trade and other receivables	29	**41,934**	112,670
Prepaid lease payment – current portion	19	**388**	388
Amount due from an associate	21	**5**	–
Amount due from a joint venture	22	**1,824**	3,341
Bank balances and cash	30	**7,185**	49,146
		110,408	440,690
Assets classified as held for sale	31	**17,270**	–
		127,678	440,690
CURRENT LIABILITIES			
Trade and other payables	32	**50,448**	34,119
Amount due to an associate	21	**723**	731
Amount due to a joint venture	22	**3,000**	–
Borrowings	33	**142,349**	139,226
Bond payables	34	**10,000**	–
Obligations under finance leases – current portion	35	**729**	608
Financial guarantee contract	37	**3,540**	–
Tax liabilities		**8,944**	11,503
		219,733	186,187
Liabilities associated with assets classified as held for sale	31	**5,719**	–
		225,452	186,187
NET CURRENT (LIABILITIES) ASSETS		**(97,774)**	254,503
TOTAL ASSETS LESS CURRENT LIABILITIES		**299,546**	591,570

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Bond payables	*34*	**40,000**	50,000
Obligations under finance leases			
– non-current portion	*35*	**766**	891
Deferred tax liabilities	*36*	**1,560**	1,393
		42,326	52,284
NET ASSETS		**257,220**	539,286
CAPITAL AND RESERVES			
Share capital	*38*	**2,068**	2,068
Reserves		**222,171**	506,578
Equity attributable to owners of the Company		**224,239**	508,646
Non-controlling interests	*49*	**32,981**	30,640
TOTAL EQUITY		**257,220**	539,286

The consolidated financial statements on pages 62 to 250 were approved and authorised for issue by the Board of Directors on 27 March 2019 and are signed on its behalf by:

Lam Kwok Hing Wilfred
Director

Chan Shui Sheung Ivy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	1,149	3,087,530	7,914	15,137	24,304	(8,923)	(2,601,482)	525,629	30,233	555,862
(Loss) profit for the year	–	–	–	–	–	–	(86,462)	(86,462)	407	(86,055)
Other comprehensive (expense) income for the year, net of income tax										
Items that may be subsequently reclassified to profit or loss:										
Exchange differences arising on translation of foreign operations	–	–	–	–	–	4	–	4	–	4
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	–	–	–	(24,304)	–	–	(24,304)	–	(24,304)
Share of translation reserve of a joint venture	–	–	–	–	–	11,725	–	11,725	–	11,725
					(24,304)	11,729	–	(12,575)	–	(12,575)
Total comprehensive (expense) income for the year	–	–	–	–	(24,304)	11,729	(86,462)	(99,037)	407	(98,630)
Lapse of share options (Note 39)	–	–	–	(3,590)	–	–	3,590	–	–	–
Issuance of shares upon open offer (Note 38)	574	56,865	–	–	–	–	–	57,439	–	57,439
Transaction cost attributable to issuance of shares upon open offer (Note 38)	–	(2,264)	–	–	–	–	–	(2,264)	–	(2,264)
Issuance of shares upon placing (Note 38)	345	27,223	–	–	–	–	–	27,568	–	27,568
Transaction cost attributable to issuance of shares upon placing (Note 38)	–	(689)	–	–	–	–	–	(689)	–	(689)
At 31 December 2017	2,068	3,168,665	7,914	11,547	–	2,806	(2,684,354)	508,646	30,640	539,286

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	FVTOCI revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	2,068	3,168,665	7,914	11,547	–	2,806	(2,684,354)	508,646	30,640	539,286
Adjustments (see Note 3)	–	–	–	–	(3,939)	–	(50,143)	(54,082)	–	(54,082)
At 1 January 2018 (restated)	2,068	3,168,665	7,914	11,547	(3,939)	2,806	(2,734,497)	454,564	30,640	485,204
(Loss) profit for the year	–	–	–	–	–	–	(221,601)	(221,601)	2,171	(219,430)
Other comprehensive (expense) income for the year, net of income tax										
Items that will not be reclassified to profit or loss:										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	–	–	–	–	(27)	–	–	(27)	–	(27)
Items that may be subsequently reclassified to profit or loss:										
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(5)	–	(5)	–	(5)
Share of translation reserve of a joint venture	–	–	–	–	–	(8,692)	–	(8,692)	–	(8,692)
	–	–	–	–	–	(8,697)	–	(8,697)	–	(8,697)
	–	–	–	–	(27)	(8,697)	–	(8,724)	–	(8,724)
Total comprehensive income (expense) for the year	–	–	–	–	(27)	(8,697)	(221,601)	(230,325)	2,171	(228,154)
Acquisition of a subsidiary (Note 46)	–	–	–	–	–	–	–	–	170	170
Cancellation of share options (Note 39)	–	–	–	(3,063)	–	–	3,063	–	–	–
At 31 December 2018	2,068	3,168,665	7,914	8,484	(3,966)	(5,891)	(2,953,035)	224,239	32,981	257,220

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(219,263)**	(85,842)
Adjustments for:		
Finance costs	**27,237**	20,673
Interest income	**(606)**	(968)
Depreciation of plant and equipment	**3,898**	2,580
Amortisation of prepaid lease payment	**388**	388
Loss on written-off of plant and equipment	**2**	178
Gain on bargain purchase	**–**	(61)
Impairment loss on goodwill	**389**	–
Gain on redemption of convertible instruments designated as financial assets at fair value through profit or loss	**–**	(1,333)
Gain on disposal of available-for-sale financial assets	**–**	(25,412)
Gain on disposal of an investment property	**(80)**	–
(Gain) loss on disposal of an investments		
– a subsidiary	**(907)**	5,756
– an associate	**–**	770
Gain on deemed disposal of a subsidiary	**(45)**	–
Impairment loss, net of reversal	**22,770**	2,188
Changes in fair values of investment properties, net	**(8,291)**	(6,460)
Gain from changes in fair value of convertible instruments designated as financial assets at fair value through profit or loss, net	**–**	(2,265)
Loss from changes in fair value of financial assets at FVTPL, net	**53,082**	–
Loss from changes in fair values of investments held for trading, net	**–**	31,171
Written off of other receivables	**240**	–
Financial guarantee	**3,540**	–
Share of results of joint ventures	**(11,198)**	(1,009)
Share of results of associates	**11**	(224)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Operating cash flows before movements in working capital	**(128,833)**	(59,870)
Decrease in loan and interest receivables	**15,523**	20,895
Decrease (increase) in trade and other receivables	**12,058**	(19,998)
Decrease (increase) in investments held for trading	**68,647**	(40,723)
Increase in trade and other payables	**21,462**	22,380
Cash used in operations	**(11,143)**	(77,316)
Tax paid	**–**	(549)
NET CASH USED IN OPERATING ACTIVITIES	**(11,143)**	(77,865)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Interest received		**606**	968
Purchase of plant and equipment		**(456)**	(52)
Proceeds from disposal of available-for-sale financial assets		**–**	40,898
Proceeds from sales of investment property		**980**	–
Net cash inflow arising on disposal of a subsidiary	*47*	**10,049**	2,599
Net cash outflow arising on acquisition of assets through acquisition of a subsidiary	*46*	**(5,684)**	–
Increase in amount due from a joint venture		**1,467**	(3,341)
Increase in amount due to a joint venture		**3,000**	–
Decrease in amount due from an associate		**(46)**	10,026
Increase in amount due to an associate		**29**	731
Acquisition of a subsidiary	*45*	**(3,389)**	(1,250)
Proceeds from disposal of an associate	*21*	**–**	10
Establishment of a joint venture		**–**	(3,000)
Acquisition of convertible instruments designated as financial assets at fair value through profit or loss		**–**	(8,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**6,556**	39,589
FINANCING ACTIVITIES			
Proceeds from issuance of shares upon open offer	*38*	**–**	57,439
Transaction cost attributable to issuance of shares upon open offer		**–**	(2,264)
Proceeds from issuance of shares upon placing	*38*	**–**	27,568
Transaction cost attributable to issuance of shares upon placing		**–**	(689)
Repayment of obligation under finance lease		**(1,156)**	(1,671)
Borrowings raised		**14,877**	21,480
Repayment of borrowings		**(33,754)**	(32,061)
Interest paid		**(17,338)**	(16,873)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(37,371)**	52,929

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(41,958)	14,653
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	49,146	34,489
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	–	4
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7,188	49,146
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY		
bank balances and cash	7,185	49,146
bank balances and cash on assets classified as held for sale	3	–
	7,188	49,146

1. GENERAL

Chinese Strategic Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Exchange") since 18 May 2000. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at 2nd Floor, Lee Kum Kee Central, Nos. 54-58 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 49 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group notwithstanding that the Group incurred a loss for the year attributable to owners of the Company of approximately HK$221,601,000 for the year ended 31 December 2018 and, as of that date, the Group had net current liabilities of approximately HK$97,774,000.

In the opinion of the Directors, the Group is able to operate as a going concern in the next twelve months from 31 December 2018 after taking into consideration of the following measures:

(a) The Group has a plan to realise its investment properties to strengthen the Group's cash position. Amongst others, the Group has entered into a memorandum of understanding on 7 March 2019 to dispose of the equity interest in two subsidiaries of the Group in which Hong Kong real estates properties are held. In addition, as disclosed in the announcement of the Company dated 13 September 2018, the Company has been approached in the negotiation of the potential disposal of equity interests in the holding companies of the investment property located in Changsha at the consideration of approximately HK$190 million.

(b) The Group has a concrete plan to enforce cost-saving measures to reduce the administrative and operating expenses.

(c) A loan of the Group with the principal amount of HK$36,000,000 has been extended for twelve months till 23 March 2020.

2. BASIS OF PREPARATION *(Continued)*

(d) On 20 March 2019, the Company has completed the placing of new shares under general mandate. The net proceeds of approximately HK$9,000,000 has been raised. The Group is exploring other fund raising opportunities including, but not limited to, equity and debt financing.

The Directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2018. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2018 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

3.1 HKFRS 15 Revenue from Contracts with Customers

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018.

The Group recognises revenue from the sales of goods which arise from contracts with customers. Revenue is recognised when the goods are delivered to the customers.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 8 and 4 respectively.

The adoption of HKFRS 15 did not have any impact on the timing and amounts of revenue recognition as at 1 January 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 4.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.2 HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9

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

	Notes	Available-for-sale ("AFS") financial assets HK$'000	Financial assets designated at fair value through profit or loss ("FVTPL") HK$'000	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 HK$'000	Equity instruments at fair value through other comprehensive income ("FVTOCI") HK$'000	Financial assets at amortised cost (previously classified as loans and receivables) HK$'000	FVTOCI reserve HK$'000	Accumulated losses HK$'000
Closing balance at 31 December 2017 under HKAS 39		3,634	27,449	204,232	–	214,020	–	(2,684,354)
Effect arising from initial application of HKFRS 9:								
Reclassification								
– From available-for-sale	(a)	(3,634)	–	–	3,634	–	(2,758)	2,758
– From designated at FVTPL	(b)	–	(27,449)	27,449	–	–	–	–
Remeasurement								
Impairment under ECL model	(c)	–	–	–	–	(52,901)	–	(52,901)
From cost less impairment to fair value		–	–	–	(1,181)	–	(1,181)	–
Opening balance at 1 January 2018		–	–	231,681	2,453	161,119	(3,939)	(2,734,497)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.2 HKFRS 9 Financial Instruments (Continued)

(a) *Available-for-sale ("AFS") investments*

From AFS equity investments to fair value through other comprehensive income ("FVTOCI")

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, approximately HK$3,634,000 were reclassified from available-for-sale financial assets to equity instruments at FVTOCI, of which approximately HK$3,634,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value losses of approximately HK$1,181,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018. In addition, impairment losses previously recognised of approximately HK$2,758,000 were transferred from accumulated losses to FVTOCI reserve as at 1 January 2018.

(b) *Financial assets at FVTPL and/or designated at FVTPL*

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the convertible instruments, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, these investments of approximately HK$27,449,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, approximately HK$204,232,000 of the Group's investments were held for trading and continued to be measured at FVTPL. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.2 HKFRS 9 Financial Instruments *(Continued)*

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been assessed individually with significant credit risk, the remaining balances are grouped based on past due analysis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables, bank balances, loan and interest receivables, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition, except for certain loan and interest receivables and certain other receivables which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 January 2018, additional credit loss allowance of approximately HK$52,901,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective assets.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.2 HKFRS 9 Financial Instruments (Continued)

(c) Impairment under ECL model (Continued)

All loss allowances, including amount due from a joint venture, loan and interest receivables and other receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Amount due from a joint venture HK$'000	Loan and interest receivable HK$'000	Other receivables HK$'000
At 31 December 2017 under HKAS 39	–	301,112	184,624
Amounts remeasured through opening accumulated losses	169	7,714	45,018
At 1 January 2018	169	308,826	229,642

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interest In Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

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

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

3 Effective for annual periods beginning on or after 1 January 2020.

4 Effective for annual periods beginning on or after 1 January 2021.

5 Effective for annual periods beginning on or after a date to be determined.

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases *(Continued)*

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$1,770,000 as disclosed in Note 42 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$977,000 and refundable rental deposits received of approximately HK$231,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the at initial recognition results of the valuation technique equals the transaction price.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill *(Continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The associate and joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances, for example, the investment properties are stated at cost and amortised over the lease term. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interests held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The Group assesses whether there is an objective evidence that the interest in associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3) *(Continued)*

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

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 January 2018) *(Continued)*

Goods, services, interests and dividends

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a 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 from investments is recognised when the right to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leases

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

The Group as lessor

Rental 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. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the initial recognition.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Borrowing costs

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

Foreign currencies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Retirement benefits costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs and termination benefits *(Continued)*

Short-term and other long-term employee benefits *(Continued)*

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Share-based payment

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair values of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, unless the goods or services qualify for recognition as assets.

Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from "loss before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Provisions

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset

Intangible asset acquired separately

Intangible asset with indefinite useful lives that are acquired separately (including club debentures) are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible asset acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Any revaluation increase arising from revaluation of intangible assets is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an intangible asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset *(Continued)*

Intangible asset acquired in a business combination *(Continued)*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whatever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets *(Continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata and is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Equity instruments designated as at FVTOCI

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including loan and interest receivables, trade receivables, other receivables, amount due from an associate/a joint venture, bank balances and cash and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 3)

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

Significant increase in credit risk

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (Continued)

Significant increase in credit risk *(Continued)*

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (Continued)

Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes the risk increase significantly, when compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

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

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

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are considered has been past due and the recoverability is remote, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (Continued)

Measurement and recognition of ECL *(Continued)*

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (Continued)

Measurement and recognition of ECL *(Continued)*

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

Financial assets at FVTPL (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "Other gains and losses" line items. Fair value is determined in the manner described in Note 7(c) to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

Convertible instruments acquired by the Group (including related embedded derivatives) are designated as financial assets at FVTPL on initial recognition. Subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise and is included in the "Changes in fair values of convertible instruments designated as financial assets at fair value through profits or loss" line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan and interest receivables, trade and other receivables, amount due from an associate/a joint venture and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL. The Group designated unlisted equity investments as AFS financial assets in initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

AFS financial assets (Continued)

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment on financial assets (before application of HKFRS 9 on 1 January 2018)

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment on financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to accumulated losses.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, borrowings, obligations under finance leases, amount due to an associate/a joint venture and bond payables are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 January 2018)/HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of HKFRS 9 on 1 January 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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

Critical judgements in applying accounting policies *(Continued)*

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties located in Hong Kong on disposal.

The Group recognised deferred taxes in respect of those investment properties situated in the People's Republic of China ("PRC") which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to land appreciation tax on disposal of these investment properties.

Classification of Changsha Seg Development Co. Limited ("Changsha Seg") as a joint venture

Changsha Seg is a limited liability company incorporated in the PRC whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Changsha Seg is classified as a joint venture of the Group. For details, please refer to Note 22 to the consolidated financial statements.

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

Key sources of estimation uncertainty

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

Impairment loss on loan and interest receivables and other receivables

Impairment loss on loan and interest receivables and other receivables represent management's best estimate of losses incurred in the loan portfolio at the reporting date under ECL models. Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition. The Group is required to exercise judgement in making assumptions and estimates when calculating loan impairment loss, including any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans portfolio and historical loss experience on the basis of the relevant observable data that reflects current economic conditions.

The measurement of the ECL involves significant management judgments and assumptions, primarily including the selection of appropriate models and determination of relevant key measurement parameters, criteria for determining whether or not there was a significant increase in credit risk or a default was incurred, economic indicators for forward-looking measurement, and the application of economic scenarios and weightings, management consideration due to significant uncertain factors not covered in the models and the estimated future cash flows.

The information about the ECL are disclosed in Note 7(b) to the consolidated financial statements.

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

Key sources of estimation uncertainty *(Continued)*

Fair value measurement of financial instruments

Certain of the Group's financial assets, equity instruments at FVTOCI and convertible instruments designated as financial assets at FVTPL, are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 7(c) for further disclosures.

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by the independent professional valuers. In determining the fair value, the independent professional valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the Directors have exercised their judgements and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2018 was HK$164,840,000 (2017: HK$117,700,000).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, obligations under finance leases and bond payables, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Group is not subject to any externally imposed capital requirements, except for a wholly-owned subsidiary, Chinese Strategic Asset Management Limited (formerly known as AID Partners Asset Management Limited) ("CSAM"), which is a licensed corporation registered under the Hong Kong Securities and Futures Ordinance. CSAM met its relevant paid up share capital and liquid capital requirements of the Securities and Futures (Financial Resources) Rules issued by the Securities and Futures Commission ("SFC") throughout the financial reporting period.

The Directors review the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
FVTPL		
Mandatorily at FVTPL:		
– investments held for trading	**33,294**	204,232
Convertible instruments designated as financial assets at FVTPL	**7,468**	27,449
Financial assets at amortised cost	**77,497**	–
Equity instruments at FVTOCI	**2,426**	–
Available-for-sale financial assets, at fair value	**–**	3,634
Loans and receivables (including bank balances and cash)	**–**	214,020
Financial liabilities		
Other financial liabilities measured at amortised cost	**248,015**	225,575

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, loan and interest receivables, trade and other receivables, bank balances and cash, financial assets at FVTPL, trade and other payables, bond payables, obligations under finance leases and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

(i) Currency risk

The functional currency of certain subsidiaries established in the PRC is Renminbi ("RMB"). The RMB is not freely convertible into other currencies however, under Mainland China'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 banks authorised to conduct foreign exchange business.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, that are denominated in currencies other than the functional currency of the relevant group entities were mainly denominated in RMB and United States dollars ("USD").

	Assets	
	2018	2017
	HK$'000	HK$'000
RMB	90	94
USD	7	7

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates. The Group currently does not have any policy to hedge its exposure to currency risk.

No sensitivity analysis was prepared for USD because HK$ is pegged to USD and no sensitivity analysis was prepared for RMB as the fluctuation and impact is considered immaterial.

(ii) Interest rate risk

The Group's income and operating cash flows would be affected by the changes of market interest rates. The Group's exposure to market risk for changes in interest rates mainly arises from borrowings. Borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. At 31 December 2018, approximately 18% (2017: 40%) of the borrowings bore interest at floating rates. The interest rate and repayment terms of the borrowings outstanding at year end are disclosed in Note 33 to the consolidated financial statements.

The Group has exposure at cash flow interest rate risk through the impact of the rate changes on bank balances and bank borrowings which are carried at variable interest rate.

Loan and interest receivables, bond payables, certain other receivables, obligations under finance leases and certain financial assets at FVTPL at fixed rates expose the Group to fair value interest-rate risk. The Group has not formulated a policy to manage the interest rate risk. The Group has not used any derivative contracts or formulated any policy to hedge its exposure to interest rate risk as the exposure is considered to be insignificant.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest risk arising from variable-rate bank balances is insignificant.

If the interest rates had been increased/decreased by 100 basis points in borrowings arranged at variable rates and assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2018 (2017: post-tax loss) would increase/decrease (2017: increase/decrease) by approximately HK$252,000 (2017: HK$552,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure with respect to interest rate on its variable-interest rate borrowings. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, unlisted investment funds and convertible instruments designated as financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on instruments quoted on the Exchange and on fund investments quoted by the financial institutions.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity securities measured at FVTPL (2017: investments held for trading) had been 10% (2017: 10%) higher/lower, the post-tax loss for the year ended 31 December 2018 would decrease/increase by approximately of HK$3,329,000 (2017: HK$20,423,000) as a result of the changes in financial assets at FVTPL.

For convertible instruments designated as financial assets at FVTPL issued by a listed company, if the prices of the respective convertible instruments had been 10% higher/lower, the post-tax loss for the year ended 31 December 2017 would decrease by approximately HK$167,000 or increase by approximately HK$166,000 respectively, arising from the changes in fair value of convertible instruments designated as financial assets at FVTPL.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

As at 31 December 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk. The Group's credit risk is primarily attributable to the loan and interest receivables and trade and other receivables as mention in Notes 27 and 29 to the consolidated financial statements. For the year ended 31 December 2018, amount of HK$1,949,000 and HK$20,899,000, respectively of impairment loss (2017: no impairment loss) was recognised, the management has considered the financial background of debtors, and therefore the management is satisfied with credit quality of financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In respect of loan and interest receivables, representing financing advances to customers under the Group's loan financing business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background 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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

In respect of the loan and interest receivables arising from the Group's loan financing business, 45% (2017: 29%) of the total net loan and interest receivables as at 31 December 2018 was due from the Group's largest customer and 98% (2017: 80%) of the total net loan and interest receivables as at 31 December 2018 was due from the Group's five largest customers for the Group's loan financing business.

The Directors consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

For all other instruments including other receivables and amount due from an associate/ a joint venture, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised based on significant increases in the likelihood or risk of a default occurring since initial recognition. The Group have assessed and concluded that the risk of default rate for the other instruments are steady based on the Group assessment of the financial health of the counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In respect of the financial assets at FVTPL, representing convertible bond issued by a private company incorporated in the British Virgin Islands with the aggregate principal amount of HK$8,000,000 (the "Bonds Issuer"), credit evaluation, including the Bonds Issuer's financial background and current ability to pay, is performed.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% of loan and interest receivables as at 31 December 2018 and 2017.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment.

2018	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					HK$'000	HK$'000
Financial assets at amortised costs						
Bank balances	30	AA+	N/A	12m ECL		7,185
Other receivables	29	N/A	Low risk	12m ECL	28,518	
			Doubtful	Lifetime ECL – not credit-impaired	41,000	
			Loss	Lifetime ECL – credit-impaired	223,729	293,247
Loan and interest receivables	27	N/A	Watch list	12m ECL	7,717	
			Doubtful	Lifetime ECL – not credit-impaired	30,709	
			Loss	Credit-impaired	146,147	184,573
Amount due from an associate/a joint venture	21/22	N/A	Watch list	12m ECL	1,874	
			Doubtful	Lifetime ECL – not credit-impaired	45	1,919

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following tables show reconciliation of loss allowances that has been recognised for other receivables, loan and interest receivables, and amount due from an associate/a joint venture:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 31 December 2017 under HKAS 39	–	190,010	295,726	485,736
Adjustment upon application of HKFRS 9	1,309	–	51,592	52,901
As at 1 January 2018				
– As restated	1,309	190,010	347,318	538,637
Changes due to financial instruments recognised as at 1 January:				
– Transfer to credit-impaired	–	(151,980)	151,980	–
– Impairment losses recognised	41	5,400	17,448	22,889
– Impairment losses reversed	(119)	–	–	(119)
– Write-offs	–	–	(151,980)	(151,980)
As at 31 December 2018	1,231	43,430	364,766	409,427

Changes in the loss allowance for other receivables, loan and interest receivables and amount due from an associate/a joint venture are mainly due to:

	2018		
	Increase/(decrease) in 12m ECL	increase in lifetime ECL	
		Not credit-impaired	Credit-impaired
	HK$'000	HK$'000	HK$'000
Default payment increase	–	5,400	17,448

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

At 31 December 2018

	Weighted average effective interest rate %	On demand or within one year HK$'000	More than one year but not more than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
Trade and other payables	N/A	50,448	–	–	–	50,448	50,448
Amount due to an associate	N/A	723	–	–	–	723	723
Amount due to a joint venture	N/A	3,000	–	–	–	3,000	3,000
Borrowings	13.09%	160,982	160,982	–	–	160,982	142,349
Bond payables	7.60%	13,800	43,200	–	–	57,000	50,000
Obligations under finance leases	4.38%	783	333	491	–	1,607	1,495
		227,501	43,533	491	–	271,525	248,015

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

At 31 December 2017

	Weighted average effective interest rate %	On demand or within one year HK$'000	More than one year but not more than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	34,119	–	–	–	34,119	34,119
Amount due to an associate	N/A	731	–	–	–	731	731
Borrowings	12.69%	156,890	–	–	–	156,890	139,226
Bond payables	7.60%	3,800	13,800	43,200	–	60,800	50,000
Obligations under finance leases	2.75%	653	630	296	–	1,579	1,499
		196,193	14,430	43,496	–	254,119	225,575

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2018, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK$16,974,000 (2017: HK$22,281,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the financial institutions will exercise their discretionary right to demand immediate repayment. The Directors believe that such borrowings will be repaid by monthly installments in the next 13 years (2017: 14 years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows of such borrowings will amount to approximately HK$20,030,000 (2017: HK$27,886,000).

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

c. Fair value measurements of the financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Directors are responsible for determining fair value and the process of determining fair value.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Board works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

7. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value hierarchy as at 31 December 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Equity instruments at FVTOCI	–	–	2,426	2,426
Financial assets at FVTPL				
– listed equity securities held for trading	33,294	–	–	33,294
– convertible instruments designated as financial assets at FVTPL	–	–	7,468	7,468
	33,294	–	9,894	43,188

	Fair value hierarchy as at 31 December 2017			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
– listed equity securities held for trading	204,232	–	–	204,232
– convertible instruments designated as financial assets at FVTPL	–	–	27,449	27,449
	204,232	–	27,449	231,681

7. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31.12.2018	31.12.2017			
Investments held for trading	Assets- approximately HK$33,294,000	Assets- approximately HK$204,232,000	Level 1	Quoted bid prices in an active market	N/A
Convertible instruments designated as financial assets at FVTPL	Assets- approximately HK$Nil	Assets- approximately HK$19,949,000	Level 3	Discount rate and volatility levels determined using a Binominal Option Pricing Model	Discount rate
Convertible instruments designated as financial assets at FVTPL (Note)	Assets- approximately HK$7,468,000	Assets- approximately HK$7,500,000	Level 3	Discount rate and volatility levels determined using a Black-Scholes Model	Volatility (Note)
Equity instruments at FVTOCI	Assets- approximately HK$2,426,000	–	Level 3	Market approach	N/A

Note:

An increase in the expected volatility used in valuation would result in an increase in fair value measurement of the convertible instrument, and vice versa. A 10% increase/decrease in expected volatility and holding all other variables constant would decrease/increase the carrying amount of the convertible instrument by HK$70,000 and HK$76,000, respectively.

There were no transfers between levels of fair value hierarchy in the current and prior year.

7. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(ii) Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities on recurring basis:

	Equity instruments at FVTOCI HK$'000	Convertible instruments designated as financial assets at FVTPL HK$'000
At 1 January 2017	–	38,851
Purchase	–	8,000
Total gain in profit or loss	–	2,265
Gain on redemption	–	1,333
Expired and reclassified as other receivables	–	(23,000)
At 31 December 2017	–	27,449
Adjustment on 1 January 2018 under HKFRS 9	2,453	–
Purchase	–	–
Total loss in profit or loss	–	(32)
Total loss in other comprehensive income	(27)	–
Gain on redemption	–	3,551
Expired and reclassified as other receivables	–	(23,500)
At 31 December 2018	**2,426**	**7,468**

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

8. REVENUE

For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

Segments	**2018** **HK$'000**
Sales of goods – Tea products	20,544

Geographical market	**2018** **HK$'000**
Hong Kong	20,544

Timing of revenue	**2018** **HK$'000**
At a point in time	20,544

8. REVENUE *(Continued)*

For the year ended 31 December 2018 *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	2018 **HK$'000**
Revenue from contracts with customers	
– Sales of goods	20,544
Rental income	2,516
Interest income from the provision of loan financing	1,814
Dividend income from financial assets at FVTPL	12
Total revenue	24,886

(ii) Performance obligations for contracts with customers

Revenue from sale of tea products is recognised when control of the goods has transferred to the customers, being at the point the goods are delivered to the customers. Delivery occurs when the goods have been shipped to the customer's specific location.

8. REVENUE *(Continued)*

For the year ended 31 December 2017

Revenue represents the (i) aggregate of rental income, (ii) interest income from loan financing and (iii) sales of goods during the year. An analysis of the Group's revenue is as follows:

	2017 HK$'000
Rental income	2,453
Interest income from the provision of loan financing	3,614
Sales of goods	4,200
	10,267

9. OPERATING SEGMENTS

Information reported to the executive directors, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the year, the Group commenced the business in advising on securities and asset management along with the acquisition of CSAM (as detailed in Note 46), and it is considered as a new operating and reportable segment by the CODM. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

1. Properties investments – investment in properties for rental income purpose
2. Securities trading – trading of securities and dividend income from financial assets at FVTPL
3. Loan financing – provision of financing services
4. Trading business – Sales of goods
5. Advising on securities and asset management – advising on securities, provision of fund and asset management

9. OPERATING SEGMENTS *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	2018 HK$'000	2017 HK$'000
Segment revenue		
– Properties investments	**2,516**	2,453
– Securities trading	**12**	–
– Loan financing	**1,814**	3,614
– Trading business	**20,544**	4,200
– Advising on securities and asset management	**–**	–
	24,886	10,267
Segment profit (loss)		
– Properties investments	**17,706**	10,088
– Securities trading	**(123,768)**	(38,142)
– Loan financing	**(2,850)**	(507)
– Trading business	**(1,088)**	(468)
– Advising on securities and asset management	**(644)**	–
	(110,644)	(29,029)
Unallocated corporate expenses	**(66,162)**	(59,530)
Unallocated corporate income	**606**	988
Gain from changes in fair values of convertible instruments designated as financial assets at FVTPL, net	**–**	2,265
Loss from changes in fair value of financial assets at FVTPL, net	**3,519**	–
Gain on redemption of convertible instruments designated as financial assets at FVTPL	**–**	1,333
Gain on disposal of available-for-sale financial assets	**–**	25,412
Gain (Loss) on disposal of		
– a subsidiary	**907**	(5,756)
– an associate	**–**	(770)
Gain on deemed disposal of a subsidiary	**45**	–
Gain on bargain purchase	**–**	61
Impairment loss (recognised) reversed on		
– Available-for-sales financial assets	**–**	(2,258)
– Amount due from an associate	**(41)**	–
– Amounts due from joint ventures	**119**	–
– Other receivables	**(20,899)**	–
Impairment loss on goodwill	**(389)**	–
Written off of other receivables	**(240)**	–
Financial guarantee	**(3,540)**	–
Share of results of associates	**(11)**	224
Unallocated finance costs	**(22,533)**	(18,782)
Loss before tax	**(219,263)**	(85,842)

9. OPERATING SEGMENTS *(Continued)*

Segment revenue and results *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There was no intra-segment sale in the both years.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, gain from changes in fair values of convertible instruments designated as financial assets at FVTPL, net, loss from changes in fair value of financial assets at FVTPL, net, gain on redemption of financial assets at FVTPL, gain on disposal of available-for-sale financial assets, impairment loss (recognised) reversed on available-for-sale financial assets/other receivables/amount due from an associate/amount due from a joint venture/goodwill, gain (loss) on disposal of a subsidiary, gain on deemed disposal of a subsidiary, gain on bargain purchase, loss on disposal of an associate, written-off of other receivables, financial guarantee, share of results of associates and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

9. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2018 **HK$'000**	2017 HK$'000
Segment assets		
– Properties investments	**350,482**	301,152
– Securities trading	**44,225**	221,378
– Loan financing	**31,174**	51,546
– Trading business	**1,438**	4,209
– Advising on securities and asset management	**625**	–
Total segment assets	**427,944**	578,285
Unallocated corporate assets	**97,054**	199,472
Consolidated assets	**524,998**	777,757
Segment liabilities		
– Properties investments	**17,938**	69,731
– Securities trading	**22,491**	32,711
– Loan financing	**808**	208
– Trading business	**840**	4,073
– Advising on securities and asset management	**110**	–
Total segment liabilities	**42,187**	106,723
Unallocated corporate liabilities	**225,591**	131,748
Consolidated liabilities	**267,778**	238,471

9. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to operating segments other than AFS financial assets, plant and equipment, prepaid lease payment, interests in/amount due from associates, club debentures, certain financial assets at FVTPL, assets classified as held for sale, bank balances and cash and certain prepayments, deposits and other receivables; and

- all liabilities are allocated to operating segments other than certain accruals and other payables, borrowings, obligations under finance leases, amount due to an associate, tax liabilities, liabilities associated with assets classified as held for sale, financial guarantee contract, bond payables and deferred tax liabilities.

9. OPERATING SEGMENTS *(Continued)*

Other segment information

For the year ended 31 December 2018

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Trading business HK$'000	Advising on securities and asset management HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:							
Depreciation on plant and equipment	–	–	–	–	–	3,898	3,898
Gain on disposal of an investment property	(80)	–	–	–	–	–	(80)
Gain from changes in fair value of investment properties, net	(8,291)	–	–	–	–	–	(8,291)
Impairment loss on goodwill	–	–	–	–	–	389	389
Share of results of joint ventures	(12,689)	–	–	–	–	1,491	(11,198)
Gain from changes in fair value of:							
– investments properties	(1,930)	–	–	–	–	–	(1,930)
– financial assets at FVTPL, net	–	–	56,601	–	–	(3,519)	53,082
Impairment loss on loan receivables	–	–	1,949	–	–	–	1,949
Loss on disposal of financial assets at FVTPL	–	57,074	–	–	–	–	57,074
Finance costs	–	4,704	–	–	–	22,533	27,237
Loss from changes in fair value of financial assets at FVTPL, net	–	53,082	–	–	–	–	53,082
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:							
Gain on disposal of a subsidiary	–	–	–	–	–	(907)	(907)
Gain on deemed disposal of a subsidiary	–	–	–	–	–	(45)	(45)
Impairment loss recognised on							
– Other receivables	–	–	–	–	–	20,899	20,899
– Amount due from an associate	–	–	–	–	–	41	41
– Amount due from joint venture	–	–	–	–	–	(119)	(119)
Written off of other receivables	–	–	–	–	–	240	240
Financial guarantee	–	–	–	–	–	3,540	3,540
Loss on written off of PPE	–	–	–	–	–	2	2
Addition of PPE	–	–	–	–	–	7,103	7,103
Share of results of associates	–	–	–	–	–	11	11

9. OPERATING SEGMENTS *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2017

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Trading business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:						
Depreciation on plant and equipment	1	–	–	–	2,579	2,580
Share of results of joint ventures	(1,009)	–	–	–	–	(1,009)
(Gain) loss from changes in fair value of:						
– investments properties	(6,460)	–	–	–	–	(6,460)
– financial assets at FVTPL	–	31,171	–	–	–	31,171
Gain on disposal of financial assets at FVTPL	–	(11,230)	–	–	–	(11,230)
Finance costs	–	1,891	–	–	18,782	20,673
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Gain on disposal of available-for-sale financial assets	–	–	–	–	(25,412)	(25,412)
Impairment loss recognised in respect of available-for-sales assets	–	–	–	–	2,258	2,258
Loss on disposal of a subsidiary	–	–	–	–	5,756	5,756
Gain from changes in fair values of convertible instruments designated as financial assets at FVTPL, net	–	–	–	–	(2,265)	(2,265)
Gain on redemption of convertible instruments designated as financial assets at FVTPL	–	–	–	–	(1,333)	(1,333)
Gain on bargain purchase	–	–	–	–	(61)	(61)
Loss on disposal of an associate	–	–	–	–	770	770
Loss on written off of PPE	–	–	–	–	178	178
Addition of PPE	–	–	–	–	1,410	1,410
Share of results of associates	–	–	–	–	(224)	(224)

9. OPERATING SEGMENTS *(Continued)*

Geographical information

The Group's operations are located in the PRC, Hong Kong and the Commonwealth of the Northern Mariana Islands ("CNMI").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets, excluding financial instruments, is presented based on the geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**24,886**	6,067	**184,182**	126,298
PRC	**–**	4,200	**184,518**	180,521
CNMI	**–**	–	**18,726**	19,114
	24,886	10,267	**387,426**	325,933

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	HK$'000	HK$'000
Customer A[1]	**15,050**	4,200
Customer B[1]	**5,280**	–

1 Revenue from trading business

10a. OTHER INCOME

The analysis of the Group's other income and gains are as follow:

	2018 HK$'000	2017 HK$'000
Interest income on bank deposits	**5**	11
Interest on other receivables (Note)	**281**	863
Interest income on convertible instruments designated as financial assets at FVTPL	**–**	94
Interest income on financial assets at FVTPL	**320**	–
Others	**–**	20
	606	988

Note: The amount represents the interest income regarding the other receivables bearing interest rate of 5% per annum (Note 29 (c)(v)).

10b. OTHER GAINS AND LOSSES

	Notes	2018 HK$'000	2017 HK$'000
Gain on bargain purchase	*45*	**–**	61
Impairment loss on goodwill		**(389)**	–
(Loss) gain on disposal of financial assets at FVTPL		**(57,074)**	11,230
Gain on redemption of convertible instruments designated as financial assets at FVTPL	*28*	**–**	1,333
Gain on disposal of availables-for-sale financial assets		**–**	25,412
Gain on disposal of an investment property		**80**	–
Gain (loss) on disposal of			
– a subsidiary	*47*	**907**	(5,756)
– an associate	*21*	**–**	(770)
Gain on deemed disposal of a subsidiary	*47*	**45**	–
Gain from changes in fair value of investment property, net	*20*	**8,291**	6,460
Gain from changes in fair value of convertible instruments designated as financial assets at fair value through profit or loss, net	*28*	**–**	2,265
Loss from changes in fair value of financial assets at FVTPL, net		**(53,082)**	–
Loss from changes in fair value of investment held for trading, net		**–**	(31,171)
Written off of other receivables		**(240)**	–
Financial guarantee		**(3,540)**	–
		(105,002)	9,064

10c. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 HK$'000	2017 HK$'000
Impairment losses (recognised) reversed on		
– Available-for-sale financial assets	–	(2,258)
– Loan and interest receivables	(1,949)	70
– Other receivables	(20,899)	–
– Amount due from an associate	(41)	–
– Amount due from a joint venture	119	–
	(22,770)	(2,188)

Detail of impairment assessment for the year ended 31 December 2018 are set out in Note 7(b).

11. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interests on:		
Bank borrowings	457	595
Other loans	18,210	14,324
Bond payables	3,800	3,800
Obligations under finance leases	66	63
Margin accounts	4,704	1,891
	27,237	20,673

12. LOSS FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments (Note 14):		
Salaries and allowances	**32,451**	29,188
Contributions to retirement benefits scheme	**689**	626
	33,140	29,814
Gross rental income	**(2,516)**	(2,453)
Less: direct operating expenses incurred for investment properties that generated rental income during the year (included in cost of sales)	**311**	312
Net rental income	**(2,205)**	(2,141)
Auditor's remuneration		
– Audit service	**985**	820
– Non-audit service	**–**	170
Cost of inventories recognised as expenses	**20,070**	4,000
Depreciation of plant and equipment	**3,898**	2,580
Amortisation of prepaid lease payment	**388**	388
Loss on written-off of plant and equipment	**2**	178
Minimum lease payments under operating leases	**3,844**	4,782
Legal and professional fees	**7,012**	6,817
Consultancy fees	**7,352**	7,443

13. INCOME TAX EXPENSES

	2018 HK$'000	2017 HK$'000
Deferred taxation (Note 36)	**167**	213

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%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years ended 31 December 2018 and 2017.

No provision for taxation in Hong Kong has been made for both years ended 31 December 2018 and 2017 as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2018 and 2017.

13. INCOME TAX EXPENSES *(Continued)*

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

The income tax expenses for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 **HK$'000**	2017 HK$'000
Loss before tax	**(219,263)**	(85,842)
Tax at the domestic income tax rate of 16.5% (2017: 16.5%)	**(36,178)**	(14,164)
Tax effect of share of results of joint ventures	**(1,848)**	(166)
Tax effect of share of results of associates	**1**	(37)
Tax effect of expenses not deductible for tax purpose	**38,130**	21,109
Tax effect of income not taxable for tax purpose	**(4,065)**	(10,157)
Tax effect on investment properties for deferred tax purpose	**167**	213
Tax effect of tax loss not recognised	**3,960**	3,415
Income tax expenses for the year	**167**	213

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the years, disclosed pursuant to the applicable GEM Listing Rules and Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2018

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors				
Lam Kwok Hing Wilfred (Note a)	–	1,907	17	1,924
Chan Shui Sheung Ivy	–	1,937	18	1,955
Mok Tsan San	–	1,001	18	1,019
	–	4,845	53	4,898
Non-executive director				
Lam Kwok Hing Wilfred (Note a)	–	40	–	40
Independent non-executive directors				
Yuen Wai Man	331	–	–	331
Chow Fu Kit Edward	331	–	–	331
Lam Raymond Shiu Cheung (Note b)	331	–	–	331
	993	–	–	993
	993	4,885	53	5,931

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Year ended 31 December 2017

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors				
Lam Kwok Hing Wilfred (Note a)	–	2,080	18	2,098
Chan Shui Sheung Ivy	–	1,937	18	1,955
Mok Tsan San	–	1,001	18	1,019
	–	5,018	54	5,072
Independent non-executive directors				
Yuen Wai Man	331	–	–	331
Wang Chin Mong (Note c)	76	–	–	76
Chow Fu Kit Edward	331	–	–	331
Pau Matthew (Note d)	76	–	–	76
Lam Raymond Shiu Cheung (Note b)	111	–	–	111
	925	–	–	925
	925	5,018	54	5,997

Notes:

a. Mr. Lam Kwok Hing Wilfred was re-designated from an executive director to a non-executive director of the Company on 1 December 2018.

b. Mr. Lam Raymond Shiu Cheung was appointed as an independent non-executive director of the Company on 1 September 2017.

c. Mr. Wang Chin Mong resigned as an independent non-executive director of the Company on 23 March 2017.

d. Mr. Pau Matthew was appointed as an independent non-executive director of the Company on 8 June 2017 and resigned on 1 September 2017.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were for his services as a director of the Company.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2018 and 31 December 2017. No emoluments have been paid to the directors and chief executive 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 31 December 2017.

The Company did not appoint any chief executive during the years ended 31 December 2018 and 31 December 2017. The executive directors performed the duties of chief executive. Their emoluments disclosed above include those services rendered by the executive directors.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2017: three directors), details of whose emoluments are set out in Note 14 above. Details of the emoluments for the year of the remaining three (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and allowances	4,762	3,247
Contributions to retirement benefits scheme	54	36
	4,816	3,283

The number of the highest paid employees who are not the Directors whose emoluments fell within the following bands is as follows:

	2018 Number of employees	2017 Number of Employees
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	2	1
	3	2

16. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

17. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2018 HK$'000	2017 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(221,601)**	(86,462)

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**206,778**	149,625
Effect of dilutive potential ordinary shares:		
– Share options	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**206,778**	149,625

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the effect of open offer on 26 June 2017 and the share consolidation on 27 June 2017. Details of the open offer and the share consolidation are set out in Note 38 to the consolidated financial statements.

The computation of diluted loss per share for the years ended 31 December 2018 and 31 December 2017 does not assume the exercise of the Company's share options since it would result in a decrease in loss per share for the years which is regarded as anti-dilutive.

18. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST					
At 1 January 2017	1,521	579	2,768	14,461	19,329
Additions	–	52	1,358	–	1,410
Written-off	(324)	–	–	–	(324)
At 31 December 2017	1,197	631	4,126	14,461	20,415
Acquisition of a subsidiary	–	5	–	–	5
Additions	–	5,521	1,582	–	7,103
Written-off	–	(7)	–	–	(7)
At 31 December 2018	**1,197**	**6,150**	**5,708**	**14,461**	**27,516**
ACCUMULATED DEPRECIATION					
At 1 January 2017	959	568	937	11,500	13,964
Charge for the year	195	22	925	1,438	2,580
Eliminated on written-off	(146)	–	–	–	(146)
A t 31 December 2017	1,008	590	1,862	12,938	16,398
Acquisition of a subsidiary	–	4	–	–	4
Charge for the year	189	770	1,501	1,438	3,898
Eliminated on written-off	–	(5)	–	–	(5)
At 31 December 2018	**1,197**	**1,359**	**3,363**	**14,376**	**20,295**
CARRYING VALUES					
At 31 December 2018	**–**	**4,791**	**2,345**	**85**	**7,221**
At 31 December 2017	189	41	2,264	1,523	4,017

18. PLANT AND EQUIPMENT *(Continued)*

The above items of plant and equipment are depreciated on a straight-line method at the following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and office equipment	20% – 30%
Motor vehicles	30%
Vessel	10%

As at 31 December 2018, the carrying values of motor vehicles included an amount of approximately HK$1,388,000 (2017: HK$2,264,000) in respect of assets held under finance leases (Note 35).

19. PREPAID LEASE PAYMENT

	2018 **HK$'000**	2017 HK$'000
Analysed for reporting purposes as:		
Current assets	**388**	388
Non-current assets	**18,726**	19,114
	19,114	19,502

Note:

The land is located at CNMI. The Group acquired the land use right through an acquisition of a subsidiary during the year ended 31 December 2014.

The management has assessed the recoverable amount of the land by reference to its fair values, which is determined by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent qualified professional valuers not connected to the Group. Grant Sherman has appropriate qualifications and recent experiences in the valuation of similar premises in the relevant locations.

The valuation used market approach and made reference to the recent transactions for similar premises in the proximity. No impairment loss was recognised for the years ended 31 December 2018 and 31 December 2017.

20. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Fair value		
At 1 January	**117,700**	111,240
Acquired on acquisition of subsidiaries (Note 46)	**45,749**	–
Disposal	**(6,900)**	–
Net increase in fair value recognised in profit or loss	**8,291**	6,460
At 31 December	**164,840**	117,700
Unrealised gain on properties revaluation included in profit or loss	**8,291**	6,460

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2018 and 31 December 2017 has been arrived at on the basis of a valuation carried out on the respective dates by Jointgoal Surveyors Limited ("Jointgoal Surveyors") and Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuers not connected to the Group. Jointgoal Surveyors and Avista have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

In determining the fair value of the relevant properties, the board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The valuation using market comparable approach was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions if such information is available.

20. INVESTMENT PROPERTIES *(Continued)*

For properties without market transaction prices information, the fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in related location and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

There has been no change in the valuation technique used in the prior year.

As at 31 December 2018, the Group's investment properties with carrying amounts of HK$164,840,000 (2017: HK$117,700,000) has been pledged to secure borrowings granted to the Group (Note 33).

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 31 December 2017 are as follows:

	Level 3	**Fair value**
	HK$'000	HK$'000
2018		
Residential properties located in Hong Kong	**164,840**	**184,840**
2017		
Residential properties located in Hong Kong	117,700	117,700

There were no transfers into or out of Level 3 during the years ended 31 December 2018 and 2017.

20. INVESTMENT PROPERTIES *(Continued)*

Information about Level 3 fair value measurements of investment properties:

Valuation techniques	Key input	Significant unobservable inputs 2018	Significant unobservable inputs 2017	Sensitivity
Market comparable approach (Note 1)	Recent sale price of comparable properties, time factor and discount or premium on quality of properties	Average rate of (discount) premium on quality of properties at (14%) to 0.75%	Average rate of (discount) premium on quality of properties at (11.25%) to 15.25%	Higher discount for lower quality properties would result in a significant decrease in fair value, and vice versa
Income approach (Note 2)	Rental yield, time factor and capitalisation rates	Capitalisation rates at 1.6%	Capitalisation rates at 1.8%	A slight increase in capitalisation rate used would result in a significant decrease in fair value, and vice versa

Notes:

1. The fair values of certain investment properties located in Hong Kong amounting to HK$58,000,000 (2017: HK$61,400,000) are determined using market comparable approach by reference to recent sales price of comparable properties on a price square foot basis using market data which is publicly available.

2. The fair value measurement of investment properties located in Hong Kong amounting to HK$106,840,000 (2017: HK$56,300,000) based on income approach determined by using discounted cash flow is positively correlated to the rental yield, and negatively correlated to the capitalisation rates.

20. INVESTMENT PROPERTIES *(Continued)*

Reconciliation of Level 3 fair value measurements of investment properties on recurring basis:

	Investment properties classified as Level 3 HK$'000
At 1January 2017	111,240
Net increase in fair value recognised in profit or loss	6,460
At 31 December 2017	117,700
Acquired on acquisition of subsidiaries (Note 46)	45,749
Disposals	(6,900)
Net increase in fair value recognised in profit or loss	8,291
At 31 December 2018	**164,840**

The above net increase in fair value recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income is attributable to the change in fair values of investment properties at the end of the reporting period.

21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES

	2018 HK$'000	2017 HK$'000
Cost of investments in unlisted associates	**8**	–
Share of post-acquisition profits and other comprehensive income – Wisdom Team Limited ("Wisdom Team")	**397**	400
Share of post-acquisition losses and other comprehensive expense – Marvel Equity Investment Limited ("Marvel Equity")	**(8)**	–
	397	400

21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entity	Place of incorporation	Principal place of operations	Proportion of ownership interest held by the Group		Proportion of voting rights interest held by the Group		Principal activity
			2018	2017	**2018**	2017	
Wisdom Team	British Virgin Islands	British Virgin Islands	**49%**	49%	**49%**	49%	Investment holding
Marvel Equity (Note(a))	British Virgin Islands	British Virgin Islands	**20%**	100%	**20%**	100%	Investment holding

Note:

(a) On 12 June 2018, Marvel Equity, an indirect wholly-owned subsidiary of the Group, allotted 4,000 shares to an independent third party of the Group, which represent 80% issued share capital of Marvel Equity at a consideration of USD1,000 (equivalent to HK$31,200). After the completion of allotment of shares on 12 June 2018, the percentage of equity interest attributable to the Group was diluted from 100% to 20%. Accordingly, Marvel Equity ceased to be a subsidiary of the Group and the Group has accounted for the remaining 20% equity interest as interest in an associate whose fair value at the date of deemed disposal was approximately HK$8,000. Details of the deemed disposal are set out in Note 47 to the consolidated financial statements.

(b) In the year 2016, the Group held 38% equity interest in Oriental Tours & Travel Co. Limited ("Oriental Tours") and which was accounted for as an associate of the Group. On 30 March 2017, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has agreed to sell 38% issued capital of Oriental Tours at a consideration of HK$10,001. After the completion of the disposal in 2017, Oriental Tours has been ceased to be the associate of the Group. This disposal has resulted in the recognition of loss in profit or loss, calculated as follows:

	HK$'000
Proceeds of disposal	**10**
Less: Carrying amount of the investment in Oriental Tours at the date of disposal	**–**
Assignment of loan granted to Oriental Tours	**(780)**
Loss on disposal	**(770)**

21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

Particulars of the amount due from an associate are as follows:

	2018 HK$'000	2017 HK$'000
Marvel Equity	45	–
Less: Allowance for credit losses	(40)	–
	5	–

As at 31 December 2018, the amounts due from (to) an associate were unsecured, non-interest bearing and repayable on demand.

Summarised financial information of the associates

Summarised financial information in respect of the Group's associates are set out below.

The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using the equity method in these consolidated financial statements.

Wisdom Team

	2018 HK$'000	2017 HK$'000
Current assets	809	816

	2018 HK$'000	2017 HK$'000
Revenue	–	–
(Loss) profit and total comprehensive (expense) income for the year	(7)	456
Dividend received from Wisdom Team during the year	–	–

21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

Summarised financial information of the associates *(Continued)*

Wisdom Team *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wisdom Team in the consolidated financial statements:

	2018 **HK$'000**	2017 HK$'000
Net assets of Wisdom Team	**809**	816
Proportion of the Group's ownership interest in Wisdom Team	**49%**	49%
Carrying amount of the Group's interest in Wisdom Team	**397**	400

Marvel Equity

	2018 **HK$'000**
Current assets	**31**
Current liabilities	**(45)**

	Period from 12 June 2018 to 31 December 2018 **HK$'000**
Revenue	**–**
Loss and total comprehensive expense for the period	**(7)**
Dividend received from Marvel Equity during the period	**–**

21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

Summarised financial information of the associates *(Continued)*

Marvel Equity *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Marvel Equity recognised in the consolidated financial statements:

	2018 **HK$'000**
Net liabilities of Marvel Equity	**(14)**
Proportion of the Group's ownership interest in Marvel Equity	**20%**
Carrying amount of the Group's interest in Marvel Equity	**–**

The Group discontinued recognising its share of further losses which exceeds its interest in Marvel Equity.

22. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE

	2018 **HK$'000**	2017 HK$'000
Cost of investments in unlisted joint ventures	**99,719**	99,719
Share of post-acquisition profits and other comprehensive income	**90,284**	79,086
Exchange adjustments	**(5,485)**	3,207
	184,518	182,012

22. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

On 20 June 2017, the Group and an independent third party (collectively referred to as the "JV Investors") entered into a joint venture agreement pursuant to which the JV Investors agreed to establish a joint venture, Chinese Capital Union Financial Limited ("CCUF"). The JV Investors have an equal shareholding interest in CCUF and have joint control over CCUF as unanimous consent is required from both JV investors for all activities that significantly affect the returns of the investment. Therefore, CCUF is classified as a joint venture of the Group.

As at 31 December 2017 and 31 December 2018, the amounts due from (to) joint venture were unsecured, non-interest bearing and repayable on demand.

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Place of Incorporation	Principal place of operations	Issued and fully paid registered capital	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				2018	2017	**2018**	2017	
Changsha Seg (Note (a))	PRC	PRC	Registered capital of RMB35,000,000	**54%**	54%	**54%**	54%	Rental of office premises and properties investment
CCUF (Note (b))	Hong Kong	Hong Kong	HK$6,000,000	**50%**	50%	**50%**	50%	Investment holding
Chinese FT Financial Services (HK) Limited (Notes (c) and (d))	Hong Kong	Hong Kong	HK$1	**50%**	50%	**50%**	50%	Inactive
Chinese Capital Union Management Limited (Note (d))	Hong Kong	Hong Kong	HK$1	**50%**	50%	**50%**	50%	Inactive
Chinese Capital Union Securities Limited (Note (d))	Hong Kong	Hong Kong	HK$1	**50%**	50%	**50%**	50%	Inactive
Chinese Capital Union Asset Management Limited (Note (d))	Hong Kong	Hong Kong	HK$1	**50%**	50%	**50%**	50%	Inactive

22. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Notes:

(a) The Group holds 54% equity interest in Changsha Seg, however, the Group only have joint control over the composition of the board of directors of Changsha Seg which is therefore classified as a joint venture of the Group.

(b) The Group exercises joint control over CCUF because the Group appointed one out of two directors on the board of directors of CCUF which is therefore classified as a jointed venture of the Group.

(c) It is a wholly-owned subsidiary acquired by CCUF during the year ended 31 December 2017.

(d) It is a newly incorporated company during the year ended 31 December 2017 and a wholly-owned subsidiary of CCUF.

Summarised financial information of the joint ventures

Summarised financial information in respect of the Group’s joint ventures is set out below.

The summarised financial information below represents amounts shown in the joint ventures’ financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

22. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

Changsha Seg

	2018 **HK$'000**	2017 HK$'000
Current assets	**49,430**	43,042
Non-current assets	**351,591**	352,885
Current liabilities	**(92,486)**	(94,794)

The above amounts of assets and liabilities include the followings:

Cash and cash equivalents	**48,074**	41,678
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–

	2018 **HK$'000**	2017 HK$'000
Revenue	**27,292**	26,227
Profit and total comprehensive income for the year	**23,499**	4,663
Dividends received from Changsha Seg during the year	**–**	–

22. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

Changsha Seg *(Continued)*

The above profit for the year including the following:

	2018 **HK$'000**	2017 HK$'000
Depreciation and amortisation	**1,220**	1,128
Interest income	**(77)**	(406)
Interest expense	**–**	–
Income tax expense	**6,596**	4,158

Reconciliation of the above summarised financial information to the carrying amount of the interest in Changsha Seg recognised in the consolidated financial statements:

	2018 **HK$'000**	2017 HK$'000
Net assets of Changsha Seg	**308,535**	301,133
Proportion of the Group's ownership interest in Changsha Seg	**54%**	54%
The Group's share of net assets of Changsha Seg	**166,609**	162,612
Goodwill	**17,909**	17,909
Carrying amount of the Group's interest in Changsha Seg	**184,518**	180,521

22. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

CCUF and its subsidiaries

	2018	2017
	HK$'000	HK$'000
Current assets	**7,155**	9,489
Non-current assets	**16,842**	133
Current liabilities	**(27,102)**	(6,641)

The above amounts of assets and liabilities include the followings:

Cash and cash equivalents	**11**	–
Current financial liabilities (excluding trade and other payables and provisions)	**25,287**	6,341

	Year ended 31 December 2018	Period from 20 June 2017 to 31 December 2017
	HK$'000	HK$'000
Revenue	**–**	–
Loss and total comprehensive expense for the year/period	**(11,741)**	(3,019)
Dividends received from CCUF during the year/period	**–**	–

22. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

CCUF and its subsidiaries *(Continued)*

The above loss for year/period including the following:

	Year ended 31 December 2018 HK$'000	Period form 20 June 2017 to 31 December 2017 HK$'000
Depreciation and amortisation	**645**	10
Interest income	**94**	–
Interest expense	**–**	–
Income tax expense	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in CCUF recognised in the consolidated financial statements:

	2018 HK$'000	2017 HK$'000
Net (liabilities) assets of CCUF	**(3,105)**	2,981
Proportion of the Group's ownership interest in CCUF	**50%**	50%
Carrying amount of the Group's interest in CCUF	**–**	1,491

The Group discontinued recognising its share of further losses which exceeds its interest in CCUF.

	2018 HK$'000	2017 HK$'000
The unrecognised share of loss of a joint venture for the year	**(62)**	–
Cumulative unrecognised share of loss of a joint venture	**(62)**	–

23. CLUB DEBENTURES

	2018 HK$'000	2017 HK$'000
Club debentures, at cost	**2,690**	2,690

Club debentures represents entrance fees paid to clubs for subscriber memberships with indefinite useful lives. The Directors consider no impairment identified with reference to market prices of the club debentures.

24. INTANGIBLE ASSETS

	Licence HK$'000
COST	
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Acquired on acquisition of a subsidiary (Note 46)	5,732
At 31 December 2018	5,732
ACCUMULATED IMPAIRMENT	
At 1 January 2017, 31 December 2017 and 31 December 2018	–
CARRYING VALUE	
At 31 December 2018	5,732
At 31 December 2017	–

The licence represents the licence issued by SFC, which enable CSAM to operate in advising on securities (Type 4 regulated activity) and assets management (Type 9 regulated activity) in Hong Kong, under the Hong Kong Securities and Futures Ordinance ("SFO").

Under SFO, CSAM is required to meet its relevant paid up share capital and liquid capital requirements of the Securities and Futures (Financial Resources) Rules issued by SFC. The Directors are of the opinion that the Group would renew the licence continuously and has the ability to do so.

As a result, the licence is considered by the management of the Group as having an indefinite useful life because it is expected to generate economic benefit to the Group indefinitely. The licence will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise:

	2017 HK$'000
Unlisted equity investments in Hong Kong, at cost (Note)	6,392
Less: accumulated impairment losses	(2,758)
	3,634

Note:

The Group's investment in the unlisted equity investments represented (i) 3.08% equity interest in a Hong Kong private limited company engaged in the retailing of watches and clocks in Hong Kong; and (ii) 5% equity interest in a private company engaged in investment holding. These investments are measured at cost less accumulated impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably.

Impairment loss in amount of approximately HK$2,258,000 was recognised for the year ended 31 December 2017 in respect of the investment of 3.08% in the company engaged in the retailing of watches and clocks in Hong Kong.

Included in unlisted equity investments, the investment of 5% equity interest in a Hong Kong private company of HK$500,000 had been fully impaired since 2013.

26. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 **HK$'000**
Unlisted equity investments in Hong Kong, at fair value (Note)	**2,426**

Note:

The above unlisted equity instruments represents the Group's equity interest in private entities in Hong Kong. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

27. LOAN AND INTEREST RECEIVABLES

	2018 HK$'000	2017 HK$'000
Fixed rate loan and interest receivables arising from loan financing business (Note (a)):		
Secured loan and interest receivables	**157,260**	175,860
Unsecured loan and interest receivables	**6,434**	3,357
Less: accumulated impairment losses recognised	**(149,578)**	(143,746)
	14,116	35,471
Other loan and interest receivables:		
Amount due from a former subsidiary (Note (b))	**–**	151,980
Other secured loan and interest receivable (Note (c))	**20,879**	20,879
	–	172,859
Less: accumulated impairment losses recognised (Note (d))	**(9,217)**	(157,366)
	11,662	15,493
	25,778	50,964

Notes:

(a) As at 31 December 2018, the secured loan and interest receivables arising from loan financing business are secured by listed equity shares, unlisted shares, private car and properties located in Hong Kong and corporate guarantee provided by a listed company in Hong Kong and bear interest at fixed interest rate ranging from 10% to 16% (2017: 10% to 16%) per annum.

The unsecured loan and interest receivables arising from loan financing business has been fully impaired since 2016.

As at 31 December 2018, included in the Group's loan receivables balance are debtors with aggregate carrying amount of approximately HK$5,199,000 which are past due as at the reporting date. Out of the past due balances, approximately HK$5,199,000 has been past due 90 days or more. The Directors considers credit risks have increased significantly and those past due more than 90 days are considered as credit impaired unless collateral has been obtained.

Details of impairment assessment for the year ended 31 December 2018 are set out in Note 7(b).

27. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The following table illustrates the contractual maturity dates of the fixed rate loan and interest receivables at the reporting date:

	2018 **HK$'000**	2017 HK$'000
Within 3 months	**7,922**	24,038
In more than 3 months but not more than 6 months	**5,130**	9,771
In more than 6 months but not more than 12 months	**1,064**	1,662
	14,116	35,471

The Group's loan financing customers included in the loan and interest receivables are due for settlement at the dates specified in the respective loan agreements.

Particulars of significant individual loan receivable are as follow:

	Maturity date	**Collateral**	**Effective interest rate**	**Carrying amount**	
				2018 **HK$'000**	2017 HK$'000
Approximately HK$20,975,000 fixed-rate loan receivable	30 September 2016	Property	0%	**–**	12,057
Approximately HK$6,689,000 fixed-rate loan receivable	26 March 2017	Property	0%	**5,199**	6,689
Approximately HK$3,837,000 fixed-rate loan receivable	15 April 2019	Property	13.07%	**3,837**	–
Approximately HK$3,274,000 fixed-rate loan receivable	1 February 2019	Property	10%	**2,723**	–
				11,759	18,746

27. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The ageing analysis of loan and interest receivables which were past due but not impaired is as follows:

	2018	2017
	HK$'000	HK$'000
Less than 3 months	**–**	–
More than 6 months but less than 12 months	**–**	6,753
More than 12 months	**5,199**	12,057
	5,199	18,810

At 31 December 2017, included in the Group's loan and interest receivables are debtors with aggregate carrying amount of approximately HK$18,810,000 which are past due but not impaired. The Group holds properties and listed securities as collateral over those balances. Management believes that no impairment is necessary in respect of these balances as those borrowers repay the loan continuously and there has not been a significant change in the credit quality and the balances are considered fully recoverable.

The movement of accumulated impairment losses of the loan and interest receivables during the reporting period is as follows:

	2017
	HK$'000
At 1 January	143,816
Reversal	(70)
At 31 December	143,746

Included in the Group's loan and interest receivables balance in amount of approximately of HK$12,057,000 as at 31 December 2017 was set-off against the partial consideration of acquisition of a subsidiary during the year ended 31 December 2018 (Note 46).

27. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Amount due from a former subsidiary is unsecured, non-interest bearing and repayable on demand. The balance has been written-off during the year ended 31 December 2018.

(c) As at 31 December 2018, the balance represented the principal loan amount of HK$10,038,000 and interest receivable of approximately HK$10,841,000, net of accumulated impairment loss of approximately HK$9,217,000, which is secured by a property located in Hong Kong and bear fixed interest rate at 20% per annum.

(d) The movement of accumulated impairment loss of the other loan and interest receivables during the reporting period is as follows:

	2017 HK$'000
At 1 January	159,166
Written off	(1,800)
At 31 December	157,366

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2018 HK$'000	2017 HK$'000
Financial assets designated at FVTPL:			
Unlisted instruments issued by a Hong Kong listed company:			
China Eco-Farming Limited ("CEF") convertible bonds	*(a)*	–	19,949
Unlisted instruments issued by a private company:			
New Business Enterprises Limited ("New Business") convertible bonds	*(b)*	–	7,500
		–	27,449
Financial assets mandatorily measured at FVTPL:			
Unlisted instruments issued by a private company:			
New Business convertible bonds	*(b)*	**7,468**	–
Listed securities held for trading:			
Equity securities listed in Hong Kong	*(c)*	**33,294**	204,232
		40,762	204,232
		40,762	231,681
Analysed for reporting purpose as:			
Non-current assets		**7,468**	7,500
Current assets		**33,294**	224,181
		40,762	231,681

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

Notes:

(a) CEF Convertible Bonds

On 29 May 2015, Rich Best Asia Limited ("Rich Best"), a directly wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Delightful Hope Limited (the "Purchaser"), pursuant to which Rich Best has agreed to sell and the Purchaser has agreed to purchase the entire equity interest in China Smart Asia Limited ("China Smart"), which was an indirectly wholly-owned subsidiary of the Company, at consideration of HK$93,000,000, which is settled by way of (i) cash of HK$46,500,000; (ii) convertible bonds A of CEF with principal amount of HK$23,000,000 ("CEF CBs A"); and (iii) convertible bonds B of CEF with principal amount of HK$23,500,000 ("CEF CBs B").

The CEF CBs A and the CEF CBs B, both with conversion price of HK$0.25 per conversion share, are non-interest bearing and will be expired on 31 March 2017 and 30 September 2018, respectively. On 20 August 2015, i.e. the issue date, the fair values of the CEF CBs A and the CEF CBs B are HK$22,964,000 and HK$23,563,000, respectively.

During the year ended 31 December 2017, the CEF CBs A was expired and redeemed by CEF on the maturity date. A gain on redemption of the CEF CBs A of approximately HK$1,333,000 is recognised in profit or loss for the year ended 31 December 2017.

As at 31 December 2017, the fair value of the CEF CBs B is approximately HK$19,949,000. The gain arising on the fair value changes of the CEF CBs B of approximately HK$2,765,000 were recognised in profit or loss for the year ended 31 December 2017.

During the year ended 31 December 2018, the CEF CBs B was expired and redeemed by CEF on the maturity date at approximately HK$23,500,000. A gain arising from fair value change of the CEF CBs B of approximately HK$3,551,000 is recognised in profit or loss for the year ended 31 December 2018.

(b) New Business Convertible Bonds

On 15 September 2017, an indirect wholly-owned subsidiary of the Company, Fair Million Asia Limited ("Fair Million"), which was incorporated in the British Virgin Islands, acted as a subscriber, entered into a subscription agreement pursuant to which Fair Million has agreed to subscribe for the convertible bonds ("NB CBs") which were issued by New Business, a company incorporated in the British Virgin Islands, in the principal amount of HK$8,000,000 which will be matured on 30 September 2020. The NB CBs bears 4% coupon rate per annum. Assuming the conversion rights attaching to the NB CBs are exercised in full at the conversion price of HK$50,000 per conversion share, up to 160 conversion shares of New Business will be allotted and issued.

New Business is an investment holding company and its subsidiary is engaged in provision of corporate finance advisory service (Type 6 regulated activity). As at 31 December 2018, the fair values of the NB CBs is approximately HK$7,468,000 (2017: approximately HK$7,500,000). The loss arising from the fair value change of NB CBs of approximately HK$32,000 (2017: HK$500,000) was recognised in profit or loss for the year ended 31 December 2018.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

Notes: *(Continued)*

(c) As at 31 December 2018, the carrying amount of the listed equity securities held for trading which has been pledged as security for margin accounts (Note 33(b)), is approximately HK$23,773,000 (2017:HK$140,426,000).

A fair value gain on the financial assets at FVTPL of approximately HK$3,519,000 (2017: fair value gain of HK$2,265,000) in aggregate was recognised for the year ended 31 December 2018.

The fair values of the convertible bonds mandatorily measured at FVTPL were valued by Grant Sherman, an independent qualified professional valuer not connected with the Group, using the Binominal Option Pricing Model and Black Scholes Model. The inputs into the models of NB CBs as at 31 December 2018 and 2017 were as follows:

As at 31 December 2018

	NB CBs
Valuation model	**Black Scholes Model**
Stock price	**N/A**
Conversion price	**HK$50,000**
Volatility	**47.58%**
Dividend yield	**N/A**
Option life (years)	**1.75**
Risk free rate	**2.09%**

As at 31 December 2017

	NB CBs	CEF CBs B
Valuation model	Black Scholes Model	Binominal Option Pricing Model
Stock price	N/A	HK$0.089
Conversion price	HK$50,000	HK$0.25
Volatility	37.64%	56.92%
Dividend yield	N/A	0%
Option life (years)	2.75	0.75
Risk free rate	1.35%	1.45%

* The information are extracted from the valuation reports issued by Grant Sherman.

Details of the fair value measurement for the financial assets at FVTPL are disclosed in Note 7(c) to the consolidated financial statements.

29. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivable (Note (a))	–	4,200
Deposits paid for acquisition of potential investments (Note (b))	20,000	20,000
Less: accumulated impairment losses on the deposits paid for acquisition of potential investments	(20,000)	(20,000)
	–	–
Prepayments	2,530	2,101
Rental and utility deposits	1,063	1,268
Other receivables (Note (c))	271,460	258,960
	275,053	262,329
Less: accumulated impairment losses (Note (d))	(230,541)	(164,624)
	44,512	97,705
Cash balance in securities account	724	10,765
	45,236	112,670
Less: Other receivable – non current – Deposit paid for acquisition of a subsidiary (Note (c)(viii)	(3,302)	–
Trade and other receivables – current	41,934	112,670

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) Trade receivable at the end of the reporting period comprise amounts receivable from the sales of goods. No interest is charged on the trade receivable.

The Group generally allows an average credit period of 60 days to its customers. The aging analysis of the Group's trade receivable presented based on invoice date as at the end of the reporting period is as follows:

	2017 HK$'000
0 – 30 days	4,200

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) During the year ended 31 December 2011, King Perfection Limited ("King Perfection"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Peak Prosper Holdings Limited ("PPH"), an independent third party, for a conditional purchase of the convertible bonds in the principal amount of HK$110,040,000, which are convertible into 70 shares in the share capital of Precise Billion Limited ("PBL"), a wholly-owned subsidiary of PPH, for a total consideration of HK$220,000,000. Deposit of HK$20,000,000 was paid by the Group to PPH in September 2011.

However, the conditions of the agreement had not been fulfilled before the long stop date and King Perfection is entitled to the refund of the deposit paid pursuant to the agreement. Management considers that the recoverability of the deposit paid was uncertain and impairment loss on the full amount of the deposit paid of HK$20,000,000 was made during the year ended 31 December 2011.

On 9 March 2012, King Perfection issued a writ of summons in the Court of First Instance against PPH, claiming for the refund of the deposit in the sum of HK$20,000,000. Judgment was arranged by the court on 22 February 2013 which PPH has to pay King Perfection (a) the sum of HK$20,000,000, (b) damages to be assessed and (c) costs to be taxed. As at the date of this report, no amount has been received. Details of the litigation are set out in Note 44(ii) to the consolidated financial statements.

The movements in provision for impairment losses of the deposit paid for acquisition of potential investments were as follows:

	2018	2017
	HK$'000	HK$'000
At 1 January and 31 December	**20,000**	20,000

(c) Other receivables

(i) Included in other receivables as at 31 December 2018 is an amount of approximately HK$151,638,000 (2017: HK$151,638,000) regarding an agency agreement (the "Agency Agreement") entered into between Gain Millennia Limited (the "GML"), a wholly-owned subsidiary of the Company, Hong Kong Entertainment (Overseas) Investments Limited ("HKE") and Well Target Limited ("WTL") on 17 July 2014. Pursuant to the Agency Agreement, GML, as preferred agent, would render the agency services of and for the guest rooms of and in the Dynasty Hotel in Tinian, the CNMI, and GML shall pay to HKE a refundable prepayment in the total sum of approximately HK$151,638,000 ("Rental Prepayment") which shall be settled upon the execution of the Agency Agreement. Subsequently, GML considered it is inappropriate and undesirable to continue with the Agency Agreement. On 9 December 2014, GML, WTL and HKE entered into a deed of settlement (the "Deed of Settlement"), in which both parties agree to terminate the Agency Agreement.

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Other receivables *(Continued)*

(i) *(Continued)*

On 15 February 2015 and 24 March 2015, HKE and Tinian Entertainment Co., Ltd ("TEC"), an indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement and an operating agreement respectively (collectively referred to as the "Operating Agreements"). Pursuant to the Operating Agreements, HKE intended to lease to TEC the leased property comprising of the Tinian Dynasty Hotel & Casino and the relevant assets and the lease shall commence on 30 June 2015. The Group agreed to pay HK$50,000,000 to HKE, by set-off against part of the Rental Prepayment, as refundable deposit. However, the lease had not been commenced on 30 June 2015.

On 6 July 2015, HKE and TEC entered into another operating agreement ("Another Operating Agreement"). Pursuant to the Another Operating Agreement, TEC has paid a refundable deposit of USD3,000,000 (equivalent to approximately HK$23,290,000) to HKE. The Another Operating Agreement has not yet been commenced as at 31 December 2015.

On 23 February 2016, legal action has been taken by the Group in respect of claiming for the refundable deposit. Details of the litigation are set out in Note 44(v) to the consolidated financial statements.

On 7 April 2016, GML, HKE, Tinian Realty International Co., Ltd ("TRI"), a wholly-owned subsidiary of the Company, and an independent third party (collectively referred to as the "Parties") entered into an agreement, pursuant to which the Parties agreed to offset the amounts due to each other. Certain part of the refundable deposit were set-off against other payables of approximately HK$11,256,000. After the offset, the net amount due from HKE to the Group was approximately HK$164,624,000.

As at 31 December 2018, the amount due from HKE to the Group was, in aggregate, approximately HK$164,624,000 (2017: HK$164,624,000).

In the opinion of the Directors, the recoverability of refundable deposit is remote and approximately of HK$164,624,000 was fully impaired since 2016.

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Other receivables *(Continued)*

(ii) Included in other receivables, the Group subscribed for a promissory notes from a private company incorporated in Hong Kong, with the principal amount of HK$41,000,000 during the year ended 31 December 2015. The promissory notes were unsecured and bear fixed interest rate at 12% per annum based on the principal amount.

On 20 December 2016, the Group and the issuer have entered into a repayment schedule and the balance should be repaid during the year ended 31 December 2017. As at 31 December 2016, the outstanding receivable amount to HK$45,920,000 which including interest receivable of HK$4,920,000.

During the year ended 31 December 2017 and 31 December 2018, an amount of approximately HK$3,000,000 and HK$5,000,000, respectively, was repaid to the Group.

As at 31 December 2018, the outstanding amount was, in aggregate, approximately HK$37,920,000 and the whole amount has been fully impaired during the year ended 31 December 2018.

(iii) Included in other receivables as at 31 December 2017 is the deposit for the shareholder's loan of HK$10,000,000 to 金地毯（北京）文化傳媒有限公司 (transliterated as Gold Carpet (Beijing) Culture Media Limited ("Gold Carpet")).

On 25 February 2016, 北京華鼎匯金投資有限責任公司 (transliterated as Beijing Huading Huijin Investment Company Limited) as vendor (the "Vendor"), Selected Team Limited, a newly incorporated wholly-owned subsidiary of the Company ("Selected Team") and the Company entered into a sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell and Selected Team has conditionally agreed to acquire, through a wholly foreign owned enterprise, the 51% equity interests in Gold Carpet at the consideration of HK$120,000,000, which shall be satisfied by the issue of the convertible bonds by Selected Team. The convertible bonds in the principal amount of HK$120,000,000, upon full conversion, are convertible into 240,000,000 new shares, which is issued and allotted by the Company under the specific mandate, at the conversion price of HK$0.5 per conversion share.

Pursuant to the sale and purchase agreement, Selected Team warrants that upon the completion of the acquisition, it will provide shareholder's loan to Gold Carpet under the sale and purchase agreement. The amount of such shareholder's loan shall not be more than RMB20,000,000.

On 2 March 2016, Selected Team and the Vendor entered into an addendum (the "Addendum") to the sale and purchase agreement, pursuant to which Selected Team agreed to advance a sum of HK$10,000,000 within five days as deposit for the shareholder's loan to Gold Carpet upon execution of the Addendum.

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Other receivables *(Continued)*

(iii) *(Continued)*

On 29 April 2016, Selected Team and the Vendor entered into a supplemental sale and purchase agreement (the "Supplemental Agreement"), pursuant to which Selected Team and the Vendor agreed that Selected Team shall, in place of issuing the convertible bonds, issue an exchangeable note to the Vendor. Selected Team further undertakes that upon fulfillment of all the conditions stated in Supplemental Agreement by no later than 30 June 2017 or such later date as agreed in writing by Selected Team and the Vendor, the Vendor may exercise its right under the exchangeable note to exchange the exchangeable note for the convertible bonds. No exchangeable note was issued by Selected Team to the vendor since the acquisition of the 51% equity interests in Gold Carpet had not been completed before the expiry date on 30 June 2017.

On 15 January 2018, the entire share capital of Selected Team was disposed to an independent third party. The outstanding amount of HK$10,000,000 was settled through the disposal of Selected Team.

(iv) During the year ended 31 December 2015, Magic Red Limited ("Magic Red"), an indirectly wholly-owned subsidiary of the Company acted as a subscriber, and Mr. Yeung Kui Wong, the guarantor and the shareholder of Homely Manufacturing Limited ("HML"), entered into the subscription agreement pursuant to which Magic Red has agreed to subscribe for the convertible bonds which were issued by HML in the principal amount of (i) HK$3,000,000 which are matured on 23 June 2016 ("HML CBs A"); and (ii) HK$1,200,000 which are matured on 5 October 2016 ("HML CBs B"). Both HML CBs A and HML CBs B bear 5% coupon rate over the prime rate per annum. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the conversion price of HK$1 per conversion share, up to 4,200,000 conversion shares of HML will be allotted and issued. HML is an investment holding company and its subsidiaries is engaged in trading of electrical appliances and kitchenware. As at 31 December 2015, the fair values of the HML CBs A and the HML CBs B were same as their principal amounts and no fair value changes were recognised in profit or loss for the year ended 31 December 2015.

The HML CBsA and HML CBsB were expired and reclassified as other receivables during the year ended 31 December 2016.

On 29 July 2016, the Group issued a writ of summon in respect of claiming for the principal of HK$4,200,000. In the opinion of the Directors, the recoverability of the receivables is remote and the other receivables was fully impaired during the year ended 31 December 2016. The amount was written-off during the year ended 31 December 2017. Details of the litigation are set out in Note 44(vi) to the consolidated financial statements.

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Other receivables *(Continued)*

(v) Included in other receivables as at 31 December 2017 was amount of HK$23,000,000 due from CEF relation to the redemption of the CEF CBs A on the maturity date on 31 March 2017. The receivable is unsecured, interest bearing at fixed rate of 5% per annum, and repayable on demand. The amount of HK$23,000,000 was fully settled during the year ended 31 December 2018. Details of the CEF CBs A are disclosed in Note 28(a) to the consolidated financial statements.

(vi) Included in other receivables as at 31 December 2018 was amount of HK$21,500,000 due from CEF in relation to the redemption of the CEF CBs B on the maturity date on 30 September 2018. The receivable is unsecured, non-interest bearing, and repayable on demand. Details of the CEF CBs B are disclosed in Note 28(a) to the consolidated financial statements.

(vii) Included in other receivables is an amount of approximately HK$4,500,000 as at 31 December 2017 was set-off against as the partial consideration of acquisition of a subsidiary during the year ended 31 December 2018. Details of the acquisition are disclosed in Note 46. to the consolidated financial statements.

(viii) Included in other receivables as at 31 December 2018 was amount of approximately HK$3,302,000 which represent deposit paid for acquisition of potential investment. The Group entered into a sale and purchase agreement with an independent third party, for a condition purchase of a licensed corporation registered under the Hong Kong Securities and Futures Ordinance. The change in shareholdings of the licensed corporation was pending approved by SFC.

(d) The movements in provision for impairment losses of the other receivables were as follows:

	2017 HK$'000
At 1 January	169,517
Written-off	(4,893)
At 31 December	164,624

30. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.001% to 0.05% (2017: 0.001% to 0.05%) per annum.

The bank balances are deposited with creditworthy banks with no recent history of default.

Included in bank balances and cash are the following amount which are subject to foreign exchange control regulations or not freely transferable:

	2018 **HK$'000**	2017 HK$'000
Amounts denominated in:		
RMB	**90**	94

31. DISPOSAL GROUP HELD FOR SALE

On 27 December 2018, the Group entered into a memorandum of understanding with an independent third party, in relation to the potential disposal of entire share capital of Sina Winner Investment Limited, an indirect wholly-owned subsidiary of the Company. The assets and liabilities attribute to the business of securities trading, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below).

The major classes of assets and liabilities classified as held for sale are as follows:

	2018 **HK$'000**
Financial assets at fair value through profit or loss	**17,237**
Other receivables	**29**
Bank balances	**4**
Total assets classified as held for sale	**17,270**
Other payables classified as held for sale	**(5,719)**

32. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payable (Note (a))	520	4,000
Accruals	30,961	17,265
Other payables	16,625	11,769
Rental deposit received	231	1,085
Amounts due to directors (Note (b))	2,111	–
	50,448	34,119

Notes:

(a) The purchases of goods should be settled on delivery.

The following is an aging analysis of the Group's trade payable presented based on invoice date as at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
0 – 30 days	–	4,000
Over 180 days	520	–
	520	4,000

(b) The amounts due to directors were unsecured, non-interest bearing and repayable on demand.

33. BORROWINGS

	2018 HK$'000	2017 HK$'000
Secured:		
Bank borrowings (Note (a))	**16,974**	23,631
Other loans (Note (a))	**92,700**	50,200
Margin accounts (Note (b))	**8,253**	31,583
	117,927	105,414
Unsecured:		
Other borrowing (Note (c))	**24,422**	33,812
	142,349	139,226
Carrying amount repayable*:		
Within one year	**126,429**	116,945
Within a period of more than one year but not exceeding two years	**1,082**	1,530
Within a period of more than two years but not exceeding five years	**3,422**	4,545
Within a period of more than five years	**11,416**	16,206
	142,349	139,226
Carrying amount repayable within one year	**126,429**	116,945
Carrying amount of borrowings that are not repayable within one year from the end of reporting period but contain a repayment on demand clause and show under current liabilities (Note (d))	**15,920**	22,281
	142,349	139,226

* The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

33. BORROWINGS *(Continued)*

Notes:

(a) The Group's borrowings are all denominated in HK$. As at 31 December 2018, the borrowings were secured by Group's seven (2017: seven) investment properties with the carrying amount of HK$164,840,000 (2017: HK$117,700,000). The bank borrowings bear interest at 2.625% (2017: HIBOR+1.75% to 2.5%) per annum. The range of effective interest rates due in the Group's bank borrowings for the year ended 31 December 2018 are from 2.625% (2017: range from 1.98% to 2.5%). Other loans bear interest at fixed rate ranging from 13.2% to 18% (2017: 12% to 27%) per annum.

(b) As at 31 December 2018, approximately HK$8,253,000 (2017: HK$31,583,000) represented the margin value in broker's account. The Group pledged the listed securities with carrying amount of HK$23,773,000 (2017: HK$140,426,000) which held in the margin account as collateral to the brokers. The range of interest rates on the Group's margin accounts are 9% to 11.75% per annum (2017: 8% to 11.25% per annum).

(c) On 16 June 2016, the Company entered into a loan agreement with EverCare Finance Company Limited ("EverCare") and Mr. Chen Chien Yeh ("Mr. Chen") to advance a loan in the principal sum of HK$50,000,000 for six months to the Company. The loan bears interest at fixed rate of 12% per annum and is repayable on 15 December 2016.

On 11 January 2017, the Company entered into a deed of addendum with Mr. Chen and EverCare to extend the term of the loan agreement to revise the repayment arrangement. The Company and EverCare agree that the outstanding principle and interest up to 28 February 2017 in the total sum of approximately HK$44,197,000 shall be extended for 18 months commencing from 1 March 2017 at fixed interest rate of 1.25% per month. On 28 February 2017, the Company had repaid HK$10,000,000 to EverCare for settling part of the loan and the accrued interests. On 1 March 2017, the Company and EverCare entered into a revised loan agreement to extend the repayment date of the outstanding balances of the loan and accrued interest in the aggregate of approximately HK$44,196,000 to 31 August 2018. The balance bears interest at fixed interest rate of 1.25% per month. As at 31 December 2018, the outstanding loan and accrued interest is amounting to HK$24,422,000 (2017: HK$33,812,000).

(d) Included in bank borrowings of the Group are mortgage loans with an aggregate principal of approximately HK$15,920,000 (2017: HK$22,281,000) of which the respective loan agreements contain a repayment on demand clause giving the bank the unconditional right to call the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as current liabilities.

34. BOND PAYABLES

As at 31 December 2018 and 2017, the bond payables held by 1 and 4 bond holders are due in 2019 and 2020 respectively. The bond payables are unsecured, transferrable and bearing interest rate ranging from 6% to 8% per annum.

35. OBLIGATIONS UNDER FINANCE LEASES

Analysed for reporting purposes as:

	2018 HK$'000	2017 Hk$'000
Current liabilities	**729**	608
Non-current liabilities	**766**	891
	1,495	1,499

It is the Group's policy to lease certain motor vehicles under finance leases. The average lease term is 4 to 5 years (2017: 3 to 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.25% to 3.09% (2017: 2.25% to 3.09%) per annum. There are purchase options in these leases.

	Minimum lease payments		Present value of minimum lease payments	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Obligations under finance leases payable:				
Within one year	**783**	653	**729**	608
Within a period of more than one year but not more than two years	**333**	630	**302**	606
Within a period of more than two years but not more than five years	**491**	296	**464**	285
	1,607	1,579	**1,495**	1,499
Less: future finance charges	**(112)**	(80)	**N/A**	N/A
Present value of lease obligations	**1,495**	1,499	**1,495**	1,499
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(729)**	(608)
Amount due for settlement after 12 months			**766**	891

36. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the reporting period:

	Accelerated tax depreciation HK$'000
At 1 January 2017	1,180
Charge to profit or loss (Note 13)	213
At 31 December 2017	1,393
Charge to profit or loss (Note 13)	167
At 31 December 2018	**1,560**

No deferred tax assets attributable to tax losses of the Group have been recognised for both years due to unpredictability of future profit streams. At the end of the reporting period, the Group had unexpired estimated tax losses available for off-setting future taxable profits of approximately HK$303,572,000 (2017: HK$279,572,000).

No tax loss was utilised during the years ended 31 December 2018 and 2017.

37. FINANCIAL GUARANTEE CONTRACT

During the year ended 31 December 2018, the Company provided a corporate guarantee in favour of Fortune Park Limited ("Fortune Park") in relation to a borrowing from an independent financial institution. As at 31 December 2018, the carrying value of the financial guarantee was approximately HK$3,540,000 (2017: HK$Nil).

38. SHARE CAPITAL

	Par value per share HK$	**Number of shares** '000	**Amount** HK$'000
Authorised:			
Ordinary shares			
At 1 January 2017	0.001	100,000,000	100,000
Share consolidation (Note (b))	N/A	(90,000,000)	–
At 31 December 2017 and 31 December 2018	**0.01**	**10,000,000**	**100,000**
Issued and fully paid:			
Ordinary shares			
At 1 January 2017	0.001	1,148,783	1,149
Issuance of shares upon open offer (Note (a))	0.001	574,392	574
Share consolidation (Note (b))	N/A	(1,550,857)	–
Issuance of shares upon placing (Note (c))	0.01	34,460	345
At 31 December 2017 and 31 December 2018	**0.01**	**206,778**	**2,068**

38. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to the Company's announcement dated 10 April 2017, the Company proposed an open offer (the "Open Offer") on the basis of one offer share for every two existing shares held by the qualifying shareholders at the subscription price of HK$0.1 per offer share. An aggregate of 574,391,712 shares were issued under the Open Offer on 26 June 2017. The net proceeds from the Open Offer are approximately HK$55,175,000. The net proceeds from the Open Offer were to be use for settlement of liability and financing general working capital for the Group.

(b) Pursuant to an ordinary resolution passed at the special general meeting on 26 June 2017, a share consolidation (the "Share Consolidation") on the basis that every 10 shares of HK$0.001 each in the issued and unissued share capital of the Company had been consolidated into one consolidated share of HK$0.01 each with effective from 27 June 2017. Prior to the date of the Share Consolidation, there were 1,723,175,137 issued shares, after such Share Consolidation, the number of issued shares had changed to 172,317,513.

(c) On 17 October 2017, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best effort basis to place a maximum of 34,460,000 placing shares at a placing price of HK$0.80 per placing share under general mandate. The gross proceeds from the placing are approximately HK$27,568,000. The net proceeds after deducting the placing commission and other related expenses was approximately HK$26,879,000. The completion of the placing took place on 9 November 2017. The net proceeds from the placing were to be used for repayment of liabilities arising from operating and financing activities and financing generated working capital of the Group.

All the shares issued during the years rank pari passu with the then existing shares in all respects.

39. SHARE OPTION SCHEME

(i) Share option scheme adopted on 22 November 2002 (the "Expired Share Option Scheme")

Pursuant to resolutions passed at a special general meeting of the shareholders held on 22 November 2002, the Company terminated the old share option scheme and adopted a new share option scheme ("Expired Share Option Scheme") in order to comply with the new requirements of Chapter 23 of GEM Listing Rules effective on 1 October 2001. Under the terms of the Expired Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Expired Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

The Expired Share Option Scheme remained in force for a period of 10 years from 22 November 2002. The Expired Share Option Scheme was expired during the year ended 31 December 2012. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

39. SHARE OPTION SCHEME *(Continued)*

(ii) Share option scheme adopted on 2 April 2014 (the "Share Option Scheme")

Pursuant to resolutions passed at a special general meeting of the shareholders held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. Under the terms of the Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

The Share Option Scheme will remain in force for 10 years from 2 April 2014, unless otherwise cancelled or amended. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

39. SHARE OPTION SCHEME *(Continued)*

(ii) Share option scheme adopted on 2 April 2014 (the "Share Option Scheme") *(Continued)*

Detail of the share options outstanding during the years ended 31 December 2018 and 2017 were:

Name of category of participant	Date of grant	Exercise price HK$	Exercise price after adjustment HK$	Exercise period	Number of share options Outstanding as at 1 January	Cancelled during the year	Outstanding as at 31 December
Year ended 31 December 2018							
Directors	23 March 2016	0.612	6.1640	23 March 2016 to 22 March 2026	893,610	–	893,610
Employees	23 March 2016	0.612	6.1640	23 March 2016 to 22 March 2026	677,157	–	677,157
Consultants	23 March 2016	0.612	6.1640	23 March 2016 to 22 March 2026	1,950,056	(975,028)	975,028
					3,520,823	(975,028)	2,545,795
Weighted average exercise price					6.1640		6.1640
Weighted average remaining contractual life					8.23 years		7.23 years

39. SHARE OPTION SCHEME *(Continued)*

(ii) Share option scheme adopted on 2 April 2014 (the "Share Option Scheme") *(Continued)*

Name of category of participant	Date of grant	Exercise price HK$	Exercise price after adjustment# HK$	Exercise period	Number of share options: Outstanding as at 1 January	Adjustment due to Share Consolidation and Open Offer#	Lapsed during the year	Outstanding as at 31 December
Year ended 31 December 2017								
Directors	23 March 2016	0.612	6.1640	23 March 2016 to 22 March 2026	9,000,000	(8,106,390)	–	893,610
Employees	3 April 2007	7.350	N/A	3 April 2007 to 2 April 2017	1,000,000	–	(1,000,000)	–
	23 March 2016	0.612	6.1640	23 March 2016 to 22 March 2026	6,820,000	(6,142,843)	–	677,157
Consultants	3 April 2007	7.350	N/A	3 April 2007 to 2 April 2017	1,200,000	–	(1,200,000)	–
	23 March 2016	0.612	6.1640	23 March 2016 to 22 March 2026	19,640,000	(17,689,944)	–	1,950,056
					37,660,000	(31,939,177)	(2,200,000)	3,520,823
Weighted average exercise price					1.006			6.1640
Weighted average remaining contractual life					8.70 years			8.23 years

Following the Open Offer and Share Consolidation on 26 June 2017 and 27 June 2017, respectively, the exercise price of the outstanding share options was adjusted from HK$0.6120 to HK$6.1640. The numbers of share options were also adjusted from 35,460,000 shares to 3,520,823 as a result of the Open Offer and the Share Consolidation.

* The adjusted exercise price was effective after the share options lapsed.

39. SHARE OPTION SCHEME *(Continued)*

During the year ended 31 December 2018, the Group reversed the share options reserve of approximately HK$3,063,000 upon the cancellation of 975,028 share options (2017: HK$3,590,000 upon the lapse of 2,200,000 share options). No share options had been exercised during the year ended 31 December 2018 and 31 December 2017. During the year ended 31 December 2018 and 31 December 2017, there was no share option granted to the directors and employees of the Company and to the consultants.

The fair value of the share options granted during the year ended 31 December 2016 were determined by the Directors at the date of grants by using the Binomial Option Pricing Model, evaluated by Grant Sherman, with the following inputs:

	23 March 2016
Share price at date of grant	HK$0.600
Exercise price	HK$0.612
Risk-free rate	1.735%
Expected dividend yield	0%
Expected life	10 years

The details of the fair value per option for options granted during the year ended 31 December 2016 were set out below:

During the year ended 31 December 2016, the fair value of total 18,820,000 share options granted to directors and employees was approximately HK$6,399,000 and was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016. During the year ended 31 December 2016, the Group granted 19,640,000 share options with fair value of approximately HK$6,125,000 to the consultants in exchange for cost of services provided. In the opinion of the Directors, in view of the fair value of the service received from the consultants could not be estimated reliably by the Company, the fair value of the services received from the consultants was measured indirectly by reference to the fair value of the share options granted to the consultants.

The Group recognised an expense for approximately HK$12,524,000 for the year ended 31 December 2016 in relation to share options granted by the Company.

40. RETIREMENT BENEFITS SCHEMES

The Group maintains various retirement schemes for its employees. The retirement scheme for employees of the PRC office is a mandatory central pension scheme organised by the PRC government, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and charged as expenses when the employees have rendered services entitling them to the contribution. The employer contributions vest fully once they are made.

The Group's Hong Kong employees are covered by the Mandatory Provident Fund, which is managed by an independent trustee. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' income with the maximum contribution by each of the Group and the employees limited to HK$1,500.

During the year, the aggregate contributions made by the Group to the retirement schemes were approximately HK$689,000 (2017: HK$626,000).

41. RELATED PARTY TRANSACTIONS

(a) Compensation of directors and key management personnel

The remuneration of Directors and other members of key management during the years were as follows:

	2018 HK$'000	2017 HK$'000
Short-term benefits	**10,640**	10,703
Post-employment benefits	**107**	108
	10,747	10,811

The remuneration of Directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Save as disclosed elsewhere in these consolidated financial statements, the Group had not entered into any significant related party transactions during the years ended 31 December 2018 and 31 December 2017.

42. COMMITMENTS

(a) Operating lease commitment

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 **HK$'000**	2017 HK$'000
Within one year	**1,309**	2,482
In the second to fifth year inclusive	**–**	1,309
	1,309	3,791

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties. They are expected to generate rental yield of 2.2% (2017: 2.1%) on an ongoing basis. All of the properties held have committed tenants for the next one to two years (2017: one to two years).

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of premises under various non-cancellable operating leases which fall due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**1,770**	3,000
In the second to fifth year inclusive	**–**	1,770
	1,770	4,770

42. COMMITMENTS *(Continued)*

(a) Operating lease commitment *(Continued)*

The Group as lessee *(Continued)*

Operating lease payments represent rentals payable by the Group for certain of its office properties (2017: office properties). Leases are negotiated and rentals are fixed for an average of two years (2017: two years).

(b) Capital commitment

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

43. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2018

(a) Included in other receivables as at 31 December 2017 is an amount of HK$10,000,000 due from an independent third party. During the year ended 31 December 2018, the other receivables was settled through the consideration of disposal of entire issued shares of Selected Team. Details of the disposal of Selected Team are disclosed in Note 47b to the consolidated financial statements.

(b) Included in Group's loan and interest receivables as at 31 December 2017 in amount of HK$12,057,000 was set-off against the partial consideration of acquisition of a subsidiary. Details of the acquisition of a subsidiary are disclosed in Note 46 to the consolidated financial statements.

(c) Included in Group's other receivables as at 31 December 2017 in amount of HK$4,500,000 was set-off against the partial consideration of acquisition of a subsidiary. Details of the acquisition of a subsidiary are disclosed in Note 46 to the consolidated financial statements.

(d) The Group settled a loan amounting of HK$6,000,000, which was partially settled by the consideration of the disposal of an investment property.

(e) Included in the Group's other receivables as at 31 December 2017 in amount of approximately HK$5,500,000 was transferred to property, plant and equipment during the year ended 31 December 2018.

44. LITIGATIONS

(i) On 28 March 2012, 7 September 2012 and 23 May 2013, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Group, issued writ of summons in the High Court of Hong Kong against certain borrowers, claiming for repayment of the loan receivables of HK$218,529,000 and HK$226,709,000 as at 31 December 2014 and 31 December 2013, respectively. Management considers that the recoverability of the loan receivables was uncertain and impairment loss of nil and HK$11,238,000 was recognised in profit and loss for the year ended 31 December 2014 and 31 December 2013, respectively.

Fameway issued amended writ of summons in the High Court of Hong Kong against certain borrowers on 4 December 2012, 24 December 2012 and 28 December 2012 in relation to the above loan receivable balances except for the litigation case which got court judgments on 23 November 2012 and 19 February 2013. Both judgments were in favour of the Group. The defendants were ordered to pay the outstanding amount of loan receivables of total HK$110,544,000 and the relative interest and the costs of the action incurred by the Group. Securities of HK$2,015,000 were received as part of the settlement of the loan. Due to the uncertainty of the recoverability of the remaining loan receivables, the management considered that no reversal of impairment loss should be made for the remaining loan receivable for the year ended 31 December 2013.

Fameway succeeds in enforcing partial payment of the judgment debt against some of such borrowers on 2 September 2015. Fameway is able to enforce the share charge granted by the defendants and in favour of Fameway over certain shares in Singapore and the shares in which are listed on Singapore Exchange Limited. To carry out such enforcement, Fameway has retained lawyers in Singapore. Fameway will rely on legal advice for the conduct of enforcement procedures.

(ii) On 9 March 2012, King Perfection Limited ("King Perfection"), an indirect wholly-own subsidiary, issued a writ of summons in the Court of First Instance against PPH, claiming for the refund of the deposit paid in the sum of HK$20,000,000. Judgment was issued by the court on 22 February 2013 which PPH has to pay King Perfection (a) the sum of HK$20,000,000; (b) damages to be assessed; and (c) costs to be taxed.

A separate hearing regarding the above case was heard on 2 March 2016 since the Company and King Perfection had not received any refund of deposit from PPH, the Judge reserved judgment to a later date. In the opinion of legal advisor, the proof of debt of King Perfection and the Group be admitted in full in the sum of approximately HK$20,011,000. As at the date of this report, no amount has been received. The Company and King Perfection would rely on legal advice for further conduct and for protection of their interest.

44. LITIGATIONS *(Continued)*

(iii) On 6 May 2013, a writ of summons has been served to the Company, claiming for payment for the loss of the plaintiff of approximately RMB5,188,732,000. The legal case is related to the breach of contracts in respect of the investment in a joint venture which will conduct railway cargo transportation services in the PRC. On 13 May 2014, the plaintiff had completely crossed out its statement of claim and replaced the same with a new one and the amount of monetary claim was reduced from approximately RMB5,188,732,000 to HK$100,000,000. The Company has taken out the relevant applications to disallow such amendments of the statement of claim by the plaintiff and to strike out the amended statement of claim if such amendments are allowed by the Court.

The Plaintiff's amendments to its statement of claim in so far as it relates to the cause of action against the Company were struck out by the order of Master Hui on 3 June 2015 ("the Said Order") with costs in favour of the Company. The plaintiff then filed the notice of appeal on 17 June 2015 ("the Said Appeal") to appeal against the Said Order. The Said Appeal was heard on 9 December 2015 and had been dismissed by the Court with costs in favour of the Company on indemnity basis.

Since the Plaintiff has taken out application to amend its statement of claim, the Company also taken out the relevant application to dismiss such amended statement of claim. Both pleadings have been filed and the pleadings stage has closed. The Court has directed the Plaintiff and the Company to file and serve their respective lists of documents and arrange and attend mediation thereafter.

After consultation with the legal advisor, the management considered that the Company has good case to defend the amended statement of claim. The Company will attempt mediation with a view to amicably settle the disputes with the Plaintiff.

44. LITIGATIONS *(Continued)*

(iv) The claimant, Chan Yu Yiu Henry, against Onway Logistics Limited (the 1st Defendant), China Railway Investments Group (HK) Limited (the 2nd Defendant) and the Company (the 3rd Defendant) claiming director's fee in the aggregate sum of HK$4,146,666.66 allegedly due and owing since June 2008 (the "Claim"). It was the 2nd Defendant appointed the claimant as director of the 1st Defendant and the 2nd Defendant was the former joint venturer of 1st Defendant, which is the former joint venture of the Company on 13 October 2008.

The entire proceedings start afresh in the Court of First Instance. The claimant's application for legal aid failed, and due to his alleged impecuniosity, the claimant is not legally represented. As at 31 December 2018, the claimant has yet to serve his statement of claim.

In the opinion of the legal advisor, it will be meritorious to apply for striking out the Claim, and the legal advisor are preparing the summons and the affirmation in report of such striking out application.

(v) On 23 February 2016, GML has filed complaint for breach of contract in the Superior Court in CNMI against HKE for claiming the refundable deposit of approximately HK$174,928,000 (Note 29(c)(i)). On 28 March 2016, GML has obtained default judgement from the Superior Court in CNMI against HKE. GML is waiting for the legal advice for further conduct of the proceedings in CNMI.

(vi) On 29 July 2016, Magic Red issued a writ of summon to HML to claim the sum of HK$4,200,000 being the principal amount of convertible bonds issued by HML and subscribed by Magic Red. Judgement was issued on 1 February 2017 which HML has to pay Magic Red (a) the sum of HK$4,200,000, and (b) fixed cost in the sum of HK$11,045.

Magic Red will rely on legal advice for further and possible enforcement.

45. ACQUISITION OF BUSINESS

For the year ended 31 December 2018

Acquisition of Goal Set Investments Limited ("Goal Set")

On 16 May 2018, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has agreed to acquire the entire share capital of Goal Set, a company incorporated in BVI, at a consideration of HK$3,390,000. The acquisition was completed on 16 May 2018. Goal Set is principally engaged in investment holding.

	HK$'000
Consideration transferred:	
Cash	3,390

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Other receivables	3,000
Bank balances and cash	1
Amount due to former shareholder's loan	(15,309)
Net assets acquired of	(12,308)
Add: Assignment of shareholder's loan	15,309
Goodwill	389
Total consideration	3,390

45. ACQUISITION OF BUSINESS *(Continued)*

For the year ended 31 December 2018 *(Continued)*

Acquisition of Goal Set Investments Limited ("Goal Set") *(Continued)*

Net cash outflow on the acquisition of Goal Set:

	HK$'000
Cash consideration	**3,390**
Less: Bank balances and cash acquired	**(1)**
	3,389

No acquisition-related costs was incurred from the acquisition.

Included in the loss for the year ended 31 December 2018 is approximately HK$42,000 attributable to the additional operating loss from Goal Set. No revenue for the year ended 31 December 2018 was generated from Goal Set.

Had the acquisition been completed on 1 January 2018, total group revenue for the year would have been approximately HK$24,886,000, and loss for the year would have been approximately HK$219,430,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

45. ACQUISITION OF BUSINESS *(Continued)*

For the year ended 31 December 2017

Acquisition of Tack On Limited ("Tack On")

On 14 March 2017, Blossom Team Limited ("Blossom Team"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party pursuant to which Blossom Team has acquired the entire share capital of Tack On, a company incorporated in British Virgin Islands, at a consideration of HK$1,250,001. The acquisition was completed on 14 March 2017. Tack On is principally engaged in trading of securities. The acquisition has been accounted for using the purchase method.

	HK$'000
Consideration transferred:	
Cash	1,250

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Investments held for trading	1,382
Other payables	(71)
Shareholder's loan	(9,397)
Net liabilities assumed	(8,086)
Add: Assignment of shareholder's loan	9,397
Gain on bargain purchase	(61)
Total consideration	1,250

45. ACQUISITION OF BUSINESS *(Continued)*

For the year ended 31 December 2017 *(Continued)*

Acquisition of Tack On Limited ("Tack On") *(Continued)*

Net cash outflow on acquisition of Tack On:

	HK$'000
Cash consideration paid	1,250

No acquisition-related costs was incurred from the acquisition.

Included in the loss for the year ended 31 December 2017 is loss of approximately HK$248,000 attributable to the additional operating loss from Tack On. No revenue for the year ended 31 December 2017 was generated from Tack On.

Had the acquisition been completed on 1 January 2017, total group revenue for the year would have been approximately HK$10,267,000, and loss for the year would have been approximately HK$83,626,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and 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.

46. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2018

a. *Acquisition of CSAM*

On 8 January 2018, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has acquired the entire issued share capital of CSAM, a company incorporated in Hong Kong, at a consideration of approximately HK$5,937,000. The acquisition was completed on 5 September 2018.

CSAM is mainly holding the licenses for advising on securities (Type 4 regulated activity) and assets management (Type 9 regulated activity) under the Hong Kong Securities and Futures Ordinance. The acquisition has been accounted for as acquisition of assets.

	HK$'000
Consideration transferred:	
Cash	5,937

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	1
Intangible assets (Note 24)	5,732
Trade and other receivables	8
Bank balances and cash	253
Trade and other payables	(57)
Net assets acquired	5,937
Total consideration satisfied by:	
Cash	5,937

46. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

a. *Acquisition of CSAM* *(Continued)*

Net cash outflow on the acquisition of CSAM:

	HK$'000
Cash consideration	5,937
Less: Bank balances and cash acquired	(253)
	5,684

46. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

b. *Acquisition of Hong Kong Newrich Limited ("Hong Kong Newrich")*

On 15 January 2018, Unique Jade International Limited ("Unique Jade"), an indirect wholly-owned subsidiary of the Company, entered into a share subscription agreement with an independent third party, Hong Kong Newrich, which is incorporated in Hong Kong, and its then sole beneficial owner of Hong Kong Newrich and pursuant to which Hong Kong Newrich allotted and issued 990,000 new ordinary shares, representing 99% of the enlarged issued capital of Hong Kong Newrich, to Unique Jade, at a consideration of HK$16,830,000. After the completion of the subscription of the new issued shares, Hong Kong Newrich became a non-wholly owned subsidiary of the Group. Hong Kong Newrich is mainly holding an investment property in Hong Kong. The acquisition has been accounted for an acquisition of assets.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Investment property (Note 20)	45,749
Other borrowings	(28,000)
Other payables and accrual	(14)
Amount due to the former director	(17,721)
Amount due to the Group	(16,557)
Net liabilities acquired	(16,543)
Add: Waiver of the amount due to the former director	16,713
Settlement of amount due to the Group by deduction from the consideration	16,830
Adjusted net assets acquired of	17,000

	HK$'000
Consideration transferred	16,830
Add: Non-controlling interest (1% of Hong Kong Newrich)	170
	17,000

46. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

b. Acquisition of Hong Kong Newrich Limited ("Hong Kong Newrich") *(Continued)*

Total consideration satisfied by:

	HK$'000
Other receivables	4,500
Loan and interest receivables	12,057
Other payable	273
	16,830

Net cash outflow on acquisition of assets through acquisition of Hong Kong Newrich:

	HK$'000
Cash consideration paid	–

47. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2018

a. *Disposal of First Champion Worldwide Limited ("First Champion")*

On 12 January 2018, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has agreed to sell the entire issued share capital of First Champion at a consideration of HK$100,000. The disposal was completed on 12 January 2018.

	HK$'000
Consideration transferred:	
Cash	100

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investments held for trading	28,453
Prepayments, deposits and other receivables	197
Bank balances and cash	51
Other payables	(149)
Tax liabilities	(2,559)
Amount due to the Group	(33,870)
Net liabilities disposal of	(7,877)
Waiver of amount due to the Group	7,070
Gain on disposal of a subsidiary	907
Total consideration received	100

47. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

a. *Disposal of First Champion Worldwide Limited ("First Champion")* *(Continued)*

Net cash inflow arising on the disposal:

	HK$'000
Cash consideration	100
Less: Bank balances and cash disposed of	(51)
	49

b. *Disposal of Selected Team Limited ("Selected Team")*

On 15 January 2018, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has agreed to sell the entire issued share capital of Selected Team at a consideration of HK$10,000,000. The disposal was completed on 15 January 2018.

	HK$'000
Consideration transferred:	
Cash	10,000

47. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

b. *Disposal of Selected Team Limited ("Selected Team")* *(Continued)*

Analysis of assets and liabilities over which control was lost:

	HK$'000
Prepayments, deposits and other receivables	10,000
Amount due to the Group	(12,639)
Net liabilities disposal of	(2,639)
Waiver of amount due to the Group	12,639
Total consideration received	10,000

Net cash inflow arising on the disposal:

	HK$'000
Cash	10,000

47. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

c. *Disposal of Marvel Equity*

As disclosed in Note 21 to the consolidated financial statements, the equity interest of the Group was diluted from 100% to 201% as a result of the allotment of 4,000 ordinary shares to an independent third party. Accordingly, there was lost of control in Marvel Equity and hence being regarded a deemed disposal of a subsidiary.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Amount due to the Group	(37)
Gain on deemed disposal of a subsidiary	45
Fair value of interest retained	8

Net cash inflow arising on the disposal:

	HK$'000
Cash	–

After the completion of the deemed disposal, the Group owns 20% issued share capital of Marvel Equity and Marvel Equity became as an associate of the Group (Note 21).

47. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2017

a. Disposal of Luck Bloom International Limited ("Luck Bloom")

On 18 July 2017, Rich Best entered into a sale and purchase agreement with an independent third party pursuant to which Rich Best has agreed to sell the entire issued share capital of Luck Bloom at a consideration of HK$2,600,000. The disposal was completed on 18 July 2017.

Consideration

	HK$'000
Cash	2,600

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investments held for trading	29,570
Prepayments, deposits and other receivables	49
Bank balances and cash	1
Other payables	(9,535)
Amount due to the Group	(34,491)
Net liabilities disposal of	(14,406)
Waiver of amount due to the Group	22,762
Loss on disposal of a subsidiary	(5,756)
Total consideration received	2,600

47. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2017 *(Continued)*

a. *Disposal of Luck Bloom International Limited ("Luck Bloom")* *(Continued)*

Net cash inflow arising on the disposal:

	HK$'000
Cash consideration	2,600
Less: Bank balances and cash disposed of	(1)
	2,599

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current asset		
Unlisted investments in subsidiaries (Note (a))	**31**	31
Current assets		
Prepayments, deposits and other receivables	**868**	720
Amounts due from subsidiaries (Note (a))	**319,063**	327,402
Amount due from an associate (Note (b))	**5**	–
Amount due from a joint venture (Note (c))	**–**	5,509
Bank balances and cash	**1,191**	37,815
	321,127	371,446
Current liabilities		
Other payables and accruals	**35,481**	13,053
Amounts due to subsidiaries (Note (a))	**76,245**	74,112
Amount due to an associate (Note (b))	**715**	723
Borrowings	**24,422**	39,435
Bond payables	**10,000**	–
Financial guarantee contracts	**6,888**	–
	153,751	127,323
Net current assets	**167,376**	244,123
Total assets less current liabilities	**167,407**	244,154
Non-current liability		
Bond payables	**40,000**	50,000
Net assets	**127,407**	194,154
Capital and reserves		
Share capital	**2,068**	2,068
Reserves (Note (d))	**125,339**	192,086
Total equity	**127,407**	194,154

The Company's statement of financial position was approved and authorised for issue by the board of directors on 27 March 2019 and are signed on its behalf by:

Lam Kwok Hing Wilfred
Director

Chan Shui Sheung Ivy
Director

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Notes:

a. Investments in subsidiaries/amounts due from (to) subsidiaries

	2018	2017
	HK$'000	HK$'000
Investments in subsidiaries, at cost		
Unlisted shares	**31**	31
Amounts due from subsidiaries	**3,093,556**	3,069,978
Less: Amounts due from subsidiaries	**(2,774,493)**	(2,742,576)
	319,063	327,402

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

b. Amount due from (to) an associate

The amount due from (to) an associate is unsecured, non-interest bearing and repayable on demand.

c. Amounts due from a joint venture

The amount due from a joint venture is unsecured, non-interest bearing and repayable on demand.

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Notes: *(Continued)*

d. Movements of reserves during the years are as follows:

	Share premium	Contributed surplus	Share options reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	3,087,530	16,500	15,137	(2,791,396)	327,771
Loss for the year	–	–	–	(216,820)	(216,820)
Lapsed of share option (Note 39)	–	–	(3,590)	3,590	–
Issuance of shares upon open offer (Note 38)	56,865	–	–	–	56,865
Transaction cost attributable to issue of shares upon open offer (Note 38)	(2,264)	–	–	–	(2,264)
Issuance of shares upon placing (Note 38)	27,223	–	–	–	27,223
Transaction cost attributable to issue of shares upon placing (Note 38)	(689)	–	–	–	(689)
At 31 December 2017	3,168,665	16,500	11,547	(3,004,626)	192,086
Loss for the year	–	–	–	(59,422)	(59,422)
Adjustment on HKFRS 9	–	–	–	(7,325)	(7,325)
Cancellation of share option (Note 39)	–	–	(3,063)	3,063	–
At 31 December 2018	3,168,665	16,500	8,484	(3,068,310)	125,339

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Group as at 31 December 2018 and 2017 are as follows:

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2018 %	2017 %	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %	
Alpaco Company Limited	British Virgin Islands ("BVI")	Ordinary	USD10,000	–	–	100%	100%	–	–	100%	100%	Holding of investment properties
CSAM (Note (a))	Hong Kong	Ordinary	HK$49,845,000	–	–	100%	–	–	–	100%	–	Advising on securities and assets management
Asia Pacific Resort and Entertainment Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Project development
Asiaciti Management Limited	Hong Kong	Ordinary	HK$100	–	–	100%	100%	–	–	100%	100%	Investment holdings
Best Core Investment Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Holding of investment properties
Bright Amazing Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Provision of financing services
Charm State International Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Office administration
Chinese Travel (Holdings) Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Investment holdings

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2018 %	2017 %	**2018 %**	2017 %	**2018 %**	2017 %	**2018 %**	2017 %	
Deluxe Charm Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Dragon Billion Limited	Hong Kong	Ordinary	HK$1	**100%**	100%	**–**	–	**100%**	100%	**–**	–	Investment holdings
Ease Power Investment Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Easy Champ Corporation Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Excel Return Enterprises Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Fameway Finance Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Provision of financing services
First Champion (Note (b))	BVI	Ordinary	USD1,000	**–**	–	**–**	100%	**–**	–	**–**	100%	Trading of securities
Forever Success International Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Gain Millennia Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2018 %	2017 %	**2018 %**	2017 %	**2018 %**	2017 %	**2018 %**	2017 %	
Gold Wide Holdings Limited	Hong Kong	Ordinary	HK$160,000	**–**	–	**75%**	75%	**–**	–	**75%**	75%	Investment holdings
Hong Kong Newrich (Note (c))	Hong Kong	Ordinary	HK$16,840,000	**–**	–	**99%**	–	**–**	–	**99%**	–	Holding of investment properties
Host Luck Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**99.9%**	99.9%	**–**	–	**99.9%**	99.9%	Holding of investment properties
Kenbo Trading Company Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Holding of investment properties
Magic Red Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Master Premium Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Much Million Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Fund investment
Rich Best	BVI	Ordinary	USD1,000	**100%**	100%	**–**	–	**100%**	100%	**–**	–	Investment holdings
Richmax Corporation Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Right Magic Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2018 %	2017 %	**2018 %**	2017 %	**2018 %**	2017 %	**2018 %**	2017 %	
Sina Winner Investment Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Sino Apex International Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Sun Famous Investment Limited	Hong Kong	Ordinary	HK$1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Holding of investment properties
Sure Venture Investment Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Tack On (Note (d))	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Tinian Realty International Co.	CNMI	Common Stock	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Top Galaxy (Asia) Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Top Status International Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Victory Time Global Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Victory Global (Hong Kong) Investment Limited (Note (e))	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2018 %	2017 %	**2018 %**	2017 %	**2018 %**	2017 %	**2018 %**	2017 %	
Watson China Limited	Hong Kong	Ordinary	HK$900,000	**–**	–	**88.89%**	88.89%	**–**	–	**88.89%**	88.89%	Holding of investment Properties
Winner Performance Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities at the end of both years.

Notes:

(a) CSAM was acquired during the year ended 31 December 2018. Details are disclosed in Note 46 to the consolidated financial statements.

(b) First Champion was disposed during the year ended 31 December 2018. Details are disclosed in Note 47 to the consolidated financial statements.

(c) Hong Kong Newrich was acquired during the year ended 31 December 2018. Details are disclosed in Note 46 to the consolidated financial statements.

(d) Tack On was acquired during the year ended 31 December 2017. Details are disclosed in Note 45 to the consolidated financial statements.

(e) It was newly incorporated during the year ended 31 December 2017.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

These subsidiaries operate in different countries and are inactive. Detail are summarised as follows:

Principal activity	Principal place of business	Number of subsidiaries 2018	Number of subsidiaries 2017
Inactive	BVI	**34**	39
	Hong Kong	**11**	17
	PRC	**1**	1
	Macau	**1**	1
		47	58

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017
				HK$'000	HK$'000	**HK$'000**	HK$'000
Gold Wide Holdings Limited ("Gold Wide")	Hong Kong	**25.00%**	25.00%	**2,344**	461	**33,063**	30,719
Watson China Limited ("Watson China")	Hong Kong	**11.11%**	11.11%	**(148)**	(54)	**(233)**	(85)
Individually immaterial subsidiaries with non-controlling interests				**(25)**	–	**151**	6
				2,171	407	**32,981**	30,640

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Gold Wide

	2018 HK$'000	2017 HK$'000
Current assets	**19**	23
Non-current assets	**185,324**	175,924
Current liabilities	**(295)**	(275)
Equity attributable to owners of Gold Wide	**151,985**	144,953
Non-controlling interests	**33,063**	30,719

	2018 HK$'000	2017 HK$'000
Revenue	**9,400**	1,866
Expenses	**(24)**	(23)
Profit attributable to owners of Gold Wide	**7,032**	1,382
Profit attributable to non-controlling interests of Gold Wide	**2,344**	461
Profit for the year	**9,376**	1,843
Other comprehensive income attributable to owners of Gold Wide	**–**	–
Other comprehensive income attributable to non-controlling interests of Gold Wide	**–**	–
Other comprehensive income for the year	**–**	–

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY
(Continued)

Gold Wide *(Continued)*

	2018 HK$'000	2017 HK$'000
Total comprehensive income (expense) attributable to owners of Gold Wide	**7,032**	1,382
Total comprehensive income (expense) attributable to non-controlling interests of Gold Wide	**2,344**	461
Total comprehensive income for the year	**9,376**	1,843
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(4)**	(63)
Net cash inflow from investing activities	**–**	–
Net cash inflow from financing activities	**–**	–
Net cash outflow	**(4)**	(63)

Watson China

	2018 HK$'000	2017 HK$'000
Current assets	**119**	159
Non-current assets	**8,200**	8,600
Current liabilities	**(10,419)**	(9,522)
Equity attributable to owners of Watson China	**(1,866)**	(678)
Non-controlling interests	**(234)**	(85)

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY
(Continued)

Watson China *(Continued)*

	2018 HK$'000	2017 HK$'000
Revenue	**240**	620
Expenses	**(1,577)**	(1,110)
Loss attributable to owners of Watson China	**(1,188)**	(436)
Loss attributable to non-controlling interests of Watson China	**(149)**	(54)
Loss for the year	**(1,337)**	(490)
Other comprehensive income attributable to owners of Watson China	**–**	–
Other comprehensive income attributable to non-controlling interests of Watson China	**–**	–
Other comprehensive income for the year	**–**	–

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Watson China *(Continued)*

	2018 HK$'000	2017 HK$'000
Total comprehensive expense attributable to owners of the Company	**(1,188)**	(436)
Total comprehensive expense attributable to non-controlling interests	**(149)**	(54)
Total comprehensive expense for the year	**(1,337)**	(490)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**–**	–
Net cash inflow from investing activities	**–**	–
Net cash inflow from financing activities	**–**	–
Net cash inflow	**–**	–

50. PLEDGE OF ASSETS

As at 31 December 2018, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK$179,562,000 (2017: HK$258,126,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

51. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Interest payables (included in other payables HK$'000	Borrowings HK$'000	Obligation under finance lease HK$'000	Bond payable HK$'000	Total HK$'000
At 1 January 2017	5,844	149,807	1,812	50,000	207,463
Changes from cash flows:					
– Proceeds from interest-bearing borrowings	–	21,480	–	–	21,480
– Repayment of interest-bearing borrowings	–	(32,061)	–	–	(32,061)
– Repayment of interest expenses	(16,810)	–	–	–	(16,810)
– Payment of finance lease liabilities	–	–	(1,734)	–	(1,734)
	(16,810)	(10,581)	(1,734)	–	(29,125)
Non-cash changes:					
Other changes					
– New leases	–	–	1,358	–	1,358
– Finance charges on obligations under finance leases	–	–	63	–	63
– Interest expenses	20,610	–	–	–	20,610
	20,610	–	1,421	–	22,031
At 31 December 2017	9,644	139,226	1,499	50,000	200,369

51. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Interest payables (included in other payables HK$'000	Borrowings HK$'000	Obligation under finance lease HK$'000	Bond payable HK$'000	Total HK$'000
Changes from cash flows:					
– Proceeds from interest-bearing borrowings	–	14,877	–	–	14,877
– Repayment of interest-bearing borrowings	–	(33,754)	–	–	(33,754)
– Repayment of interest expenses	(17,272)	–	–	–	(17,272)
– Payment of finance lease liabilities	–	–	(1,222)	–	(1,222)
	(17,272)	(18,877)	(1,222)	–	(37,371)
Non-cash changes:					
Other changes					
– New leases	–	–	1,152	–	1,152
– Repayment through borrowing arised	(5,283)	–	–	–	(5,283)
– Addition through acquisition of a subsidiary	–	28,000	–	–	28,000
– Repayment through sales of investment property	–	(6,000)	–	–	(6,000)
– Finance charges on obligations under finance leases	–	–	66	–	66
– Interest expenses	27,171	–	–	–	27,171
	21,888	22,000	1,218	–	45,106
At 31 December 2018	14,260	142,349	1,495	50,000	208,104

52. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following events after the reporting period.

(a) Included in other receivables as at 31 December 2018 is an amount of HK$21,500,000 due from CEF. On 25 January 2019, the Group entered into a Deed of Novation with CEF, pursuant to the Deed of Novation, the rights of outstanding amount of HK$21,500,000 will be transferred to EverCare.

(b) On 4 March 2019, the Company entered into a placing agreement with two placing agents (the "Placing Agents"), pursuant to which the Company has conditionally agreed to place, through the Placing Agents, on a best effort basis to place a maximum of 41,000,000 placing shares, not less than 6 placees, at a placing price of HK$0.35 per placing share under general mandate.

On 20 March 2019, an aggregate of 27,518,400 placing shares have been successfully placed by the Placing Agents to not less than six placees at the placing price of HK$0.35 per placing share. The gross proceeds from such placing are approximately HK$9,600,000. The net proceeds from such placing are to be for financing general working capital and settlement of liabilities.

(c) On 7 March 2019, Best Marvel Investment Limited ("Best Marvel"), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("First MOU") with a substantial shareholder of the Company ("Purchaser") in relation to the possible disposal of the entire equity interest in Sun Famous Investment Limited ("Sun Famous"), a company incorporated in Hong Kong with limited liability and is wholly owned by Best Marvel, including but not limited to the real estate property in Hong Kong beneficially owned by Sun Famous, to the Purchaser.

On the same day, Unique Jade and two other independent parties of the Company (collectively "Vendors") entered into another memorandum of understanding ("Second MOU") with the Purchaser, in relation to the possible disposal of the entire equity interest in Hong Kong Newrich, including but not limited to the real estate property in Hong Kong beneficially owned by Hong Kong Newrich, to the Purchaser.

53. COMPARATIVE FIGURES

During the year, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentation:

	Previous reported HK$'000	**As restated** HK$'000
Consolidated statement of profit or loss		
Other income	–	988
Other gains and losses	–	9,064
Impairment losses, net of reversal	–	(2,188)
Other income and gains	1,058	–
Gain on bargain purchase	61	
Gain on disposal of investments held for trading, net	11,230	–
Gain on redemption of convertible instruments designated as financial assets at fair value through profit or loss	1,333	–
Gain on disposal of available-for-sale financial assets	25,412	–
Loss on disposal of subsidiaries	(5,756)	–
Loss on disposal of an associate	(770)	–
Gain from changes in fair value of investment property, net	6,460	–
Gain from changes in fair value of convertible instruments designated as financial assets at fair value through profit or loss, net	2,265	–
Loss from changes in fair value of investment held for trading, net	(31,171)	–
Impairment losses recognised on available-for-sale financial assets	(2,258)	–

RESULTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**24,886**	10,267	8,738	10,191	8,430
(Loss) profit before tax	**(219,263)**	(85,842)	(348,701)	(121,859)	60,148
Income tax	**(167)**	(213)	(213)	(2,467)	(3,913)
(Loss) profit for the year	**(219,430)**	(86,055)	(348,914)	(124,326)	56,235
Attributable to:					
– Owners of the Company	**(221,601)**	(86,462)	(350,928)	(126,304)	55,542
– Non-controlling interest	**2,171**	407	2,014	1,978	693
(Loss) profit for the year	**(219,430)**	(86,055)	(348,914)	(124,326)	56,235

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**397,320**	337,067	368,116	380,378	462,677
Total current assets	**127,678**	440,690	431,729	792,710	599,664
Total current liabilities	**225,452**	186,187	191,649	264,269	174,286
Total non-current liabilities	**42,326**	52,284	52,334	51,973	35,788
Equity attributable to owners of the Company	**224,239**	508,646	525,629	828,627	827,012
Non-controlling interest	**32,981**	30,640	30,233	28,219	25,255

MAJOR INVESTMENT PROPERTY

RESULTS

Address	Lot number	Tenure	Existing use
Flat A on 12th Floor with Car Parking Space No. 11 on 2nd Basement Floor, The Colonnade, No. 152 Tai Hang Road, Hong Kong	174/10359th shares of and section A Inland Lot No. 2478	Medium-term lease	Residential and residential car parking