中國信息科技發展有限公司

China Information Technology Development Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8178)

ANNUAL REPORT 2018

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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this 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 report.

This report, for which the Directors of China Information Technology Development Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 report misleading.

This report will be available on the Company's website http://www.citd.com.hk and will remain on the "Latest Company Report" page on the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting.

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Kui Shing, Danny
(Chairman and Chief Executive Officer)
Mr. Tse Chi Wai
Mr. Takashi Togo
Mr. Wong King Shiu, Daniel
Mr. Chan Kai Leung

NON-EXECUTIVE DIRECTOR

Mr. Wong Chi Yung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

COMPANY SECRETARY

Mr. Tse Chi Wai

COMPLIANCE OFFICER

Mr. Tse Chi Wai

AUTHORISED REPRESENTATIVES

Mr. Wong Kui Shing, Danny
Mr. Tse Chi Wai

NOMINATION COMMITTEE

Mr. Hung Hing Man *(Chairman)*
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

REMUNERATION COMMITTEE

Mr. Wong Hoi Kuen *(Chairman)*
Mr. Hung Hing Man
Dr. Chen Shengrong

AUDIT COMMITTEE

Mr. Hung Hing Man *(Chairman)*
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Public Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 2802, 28th Floor
Prosperity Tower
39 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1–1111
Cayman Islands

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

GEM STOCK CODE

8178

WEB-SITE ADDRESS

www.citd.com.hk

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual results of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

OVERVIEW

TRANSFORMING WITH MARKET TRANSFORMATION

2018 was a year of global econ-political turbulence. The Hong Kong and PRC economy were clouded with the uncertainties of Sino-US trade conflicts, Brexit as well as the global financial instability. Nevertheless, the development and the urge for Smart Cities has been on an upsurge in the PRC. According to a research report "Super Smart Cities: Happier Society with Higher Quality" issued by an international audit firm, in 2018, there were about 1,000 established or establishing Smart Cities in the world. PRC, having approximately 500 of them, ranked first in the number of Smart Cities, outnumbering the other places in the world.

With the increasing urban population in China, it demands more efficient ways to manage the city, same to the management of corporate businesses, and intelligence technology provides a solution to it. As a matter of fact, according to the research report, Guangdong province is one of the core Smart Cities development area in terms of smart technology penetration and innovation, with the support of outstanding technological capacities of Shenzhen and the smart strategy of Guangzhou.

The general economic landscape is changing with the high penetration of technology and Internet of Things ("IoT"). In view of the supportive PRC government policies to the development of Smart Cities, together with the popularity of artificial intelligence ("AI") and business intelligence ("BI") in China, there exists a huge potential to development to explore in this area and contribute to the building of Smart Cities in China and in Hong Kong. In 2018, we had started to transform ourselves from a system integrator to a Marketing AI integrated solution provider, providing complete services of AI and BI reporting tools to our clients in PRC and Hong Kong.

With anticipation to the potential of Smart Cities development, AI and BI comprise data gathering, storage and knowledge management. It will not make possible if lacking any one of these factors. Our Group, specifically, Macro and DataCube, has demonstrated a seamless and complete system of AI and BI reporting tools for all three elements of data gathering, storage and knowledge management.

During the year ended 31 December 2018, thanks to our seasoned data scientists and experienced system developers, together with the devotion of the Group to the research and development, we have established our own customized peer-to-peer AI data analysis software and platform in order to bring the most advanced algorithms and state the art software platforms to our clients. We assisted our clients to examine and analyze the data gathered so that they can deploy the model results and implement in their business. As a result, our clients can uncover emerging trends and hidden insights in the market and adjust their business strategy accordingly. The result of Macro was a testimony to our hard work in 2018, evidenced with the engagement of renowned clients to our services including one of the world's top ten banks and the awards like the International Standard for Information Security Management Systems, ISO/IEC 27001:2013, by Bureau Veritas Certification. In 2019, we shall continue to keep up with the technical advancement and improve our platform addressing responsiveness to the market and flexibility in response to ever-changing market conditions.

Chairman's Statement

Besides, with the evolving trend of big data, envisioning the importance of data storage, during the year of 2018, the Group had acquired a total of 10% equity interests (5% from each of the independent third parties respectively) of a company incorporated in PRC which principally engaged in operation of data center in the strategic position of Guangdong, PRC at a total consideration of RMB10,000,000. In the year to come, the Group shall continue to search for more cooperation and business opportunities in data-related areas.

In 2018, we had made enormous efforts on DataCube and built our Group as an integrated AI solution provider, with a complete system and services for data gathering, storage and knowledge management. We believe in the year to come, we can attract more clients from different sectors of industries with our outstanding services.

FUTURE PROSPECT

INTELLIGENCE FOR THE INTELLIGENT

Looking forward, technology advancement is ever-evolving and shall continue to flourish. AI and BI technologies indeed bring us convenience in our lives. Nevertheless, widespread use of AI without control could have unintended consequences that are undesirable. Afterall, AI is here to complement humans, and humanity, therefore is inseparable to the efficient use of AI technology. Apart from these business developments, we always keep in mind the responsibility to our society. In 2018, Macro was awarded "10 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service for our continuous commitment and contribution to the society. In 2019, with the professional and experienced experts of our Group, we shall continue to demonstrate the well balance between our intelligent minds and technological intelligence by modifying our technologies and software to give customized services to meet specific needs of different business scenarios.

The Group will keep pace with the market development and further dedicate to the pursuit of excellence in providing affordable but quality services especially in AI and BI reporting tools for our clients in every business sector. Fostered by impressive research and development capabilities, superior levels of technical support resources, as well as innovative solutions portfolio, we shall persistently put effort in two main categories, namely, MarTech AI and AdTech AI, providing marketing and advertising services with AI technology respectively.

Meanwhile, in parallel with the above, amidst of the rapid growth of electronic payment methods and big data trends, we shall continue to look for new business opportunities like the Fullpay business in Japan and the data center in Guangzhou and make appropriate business decisions and adjustments according to the market conditions to create greater values for our Group and our shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my utmost gratitude to our clients, bankers, suppliers, business associates and most valued shareholders for their continuing trust and support for the Group, and to our directors, management and staff for their commitment and valuable contribution in 2018. We shall commit to continuing sustainable development of our businesses, in order to achieve our development goals for 2019 and maximize the long-term return of our shareholders.

Wong Kui Shing, Danny
Chairman
China Information Technology Development Limited

Management Discussion and Analysis

BUSINESS REVIEW

EQUIPPING WITH FULL GEAR

In 2016, the Company placed 1,830,792,000 new shares of the Company to not less than six independent placees at a price of HK$0.13 each and raised a net proceeds of approximately HK$230 million (the "Placement"). It was expected that the net proceeds raised would be utilized as follows: HK$73 million for the refurbishment of and operation of the business in the PRC properties as acquired in the acquisition of Joyunited Investments Limited on 7 April 2016 ("PRC Properties"), the Company would have approximately HK$69 million for the general working capital and approximately HK$88 million for the projects that are currently in progress. More details on the Placement had been disclosed in the relevant announcement of the Company dated 8 December 2015 and the circular dated 18 March 2016. The Placement had been completed on 9 May 2016. As at 31 December 2018, the use of net proceeds from the Placement was as follows:– (1) approximately HK$73.0 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK$47.9 million for investment in Macro China Holding Limited ("Macro"), business development under DataCube Research Centre Limited, IT business in Japan and a data centre in the PRC; (3) as a result of the loss in book value of the listed securities held by the Group, the Group has not realised those listed securities to settle part of the consideration for the PRC Properties as was planned. Instead, approximately HK$40.1 million had been applied to settle the consideration for the PRC Properties; and (4) approximately HK$69.0 million for administrative expenses and other expenses incurred by the Group.

During the year ended 31 December 2018, the Company has continued to refine its business structure. The Company has disposed the entire share capital of a subsidiary which owns a property situated in Hong Kong so that it can liquidate more resources for the development of our IT business.

In May 2018, the Company and Madam Wang Jian Mei ("Madam Wang") had entered into the sale and purchase agreement of which the Company would dispose 90% equity interest of Pantosoft International Limited ("Pantosoft") to Madam Wang at a consideration of HK$5,000,000. The financial performance of Pantosoft had not been meeting expectation of the management. It recorded losses for the recent couple of years despite the fact that the Group had been providing it with working capital with the hope that Pantosoft could turn around. As competition becomes more fierce in recent years and the Group is steering away from this educational sector, it is decided that the Group should no longer invest in Pantosoft with a hope of its recovery and to realize any resources possible to be used to generate revenue and income from other more promising sectors. Details of the disposal of Pantosoft are set out in the announcement of the Company dated 25 May 2018.

Apart from that, the Company had continued to streamline its business structure by disposing the business with less prospects. Considering the global macro economy and the trend in the IT industry, during the year ended 31 December 2018, the Company has entered into a share purchase agreement of which the Company agreed to sell, and an independent third party (as defined by the GEM Listing Rules) agreed to purchase, 35% of the share capital of and voting rights in China Information Technology Development Japan K. K., a company incorporated in Japan with a consideration of HK$100,000.

Management Discussion and Analysis

Meanwhile, the Company had also entered into sale and purchase agreements with two independent third parties pursuant to which the Group had acquired a total of 10% equity interests (5% from each of the independent third parties respectively) of a company incorporated in the PRC which principally engages in operation of data center in the PRC at a total consideration of RMB10,000,000. In the year to come, the Group shall continue to search for more cooperation and business opportunities in data-related areas.

Macro China Holding Limited and its subsidiaries (the "Macro Group" or "Macro"), principally engaged in the development and sale of computer software and hardware, the provision of system integration and related support services in the PRC, has become a key subsidiary operation of the Group since 2017. With the view that there were certain overlapping areas in the business of Macro Group and Faithful Asia Group Limited ("Faithful Asia") and G A InfoMart Limited, the Group has entered into a sales and purchase agreement, whereby the Group has agreed to dispose and an independent third party (as defined by the GEM Listing Rules) has agreed to purchase 19% of the issued share capital in Faithful Asia. The Company believed that we could reallocate the financial resources from these disposals to the existing business of the Company, including but not limited to the Macro Group so that a more centralized investment in subsidiaries would help optimize the operational efficiency and investment return of the Group.

Meanwhile, the existing businesses of Macro Group and Value Creation Finance Limited ("Value Creation Finance") have continued to bring synergies and refinement to the whole business of the Company.

CEMENTING SOLID FOUNDATION FOR FUTURE DEVELOPMENT

MACRO GROUP

During the year ended 31 December 2018, Macro Group had continued to provide strong IT infrastructure and management service to the clients. It has organized various IT seminars to clients, covering the most updated knowledge and topics that are on the vibe, giving the clients a platform to share and get updated with different new technologies and knowledges in the market. In August 2018, Macro organized a seminar comparing different Human — computer interaction ("HCI") vendors to help clients understand which vendor's HCI is more suitable for the actual scenario of their companies. With online shopping spree being more and more popular in almost every industry, in December 2018, Macro had organized a seminar with Alibaba Cloud introducing the challenges with the security issues on online transactions.

Apart from that, Macro has persistently gained reputation in the IT industry. Macro has been honored with the "Huawei Enterprise Channel Partner Program" as 5 Star IT Certified Service Partner in January 2018. In August 2018, Macro was awarded the International Standard for Information Security Management Systems, ISO/IEC 27001:2013, by Bureau Veritas Certification to affirm Macro for information security efforts in the management field to ensure that customers are provided with high quality, stable and reliable data monitoring and protection in accordance with international standards. Together with the IT Service management system certification, ISO/IEC 20000–1:2011, that Macro has already obtained, Macro Systems leverages its expertise and years of practical experience to fully analyze the business needs of its customers to create the most appropriate IT solution. Macro's goal is to help customers reduce overall costs and improve operational efficiency, allowing them to focus on developing their business and creating sustainable business advantages in an era of intense competition.

Management Discussion and Analysis

Alongside with the existing business, Macro sees a huge potential with the resurgence trend of AI. With the concurrence of other technical advancement and the importance of big data as well as the popularization of IoT, AI has become an almost inseparable part to a successful business and even our daily lives. Macro therefore, has started to transform itself from system integrator to a Marketing AI integrated solution provider. In 2018, Macro, in corporation with DataCube, started the research and development to originate our very own software for AI statistical analysis platform to provide the most tailor-made and suitable software and solutions for our clients in Hong Kong and PRC.

DataCube

DataCube Research Centre Limited ("DataCube Research Centre" or "DataCube"), is dedicated to promote data modelling, big data analysis as well as developing related technologies to expedite the adoption and drive the evolution of AI and BI and across the region, so as to provide the technological platform and all related resources to drive the development of Smart Cities in Asia.

In the business world, BI has become a complementary if not essential tool used by enterprises to support a wide range of business decisions ranging from operational to strategic ones. The big data in business operations are systematically gathered and analyzed into useful information which can assist the corporations to formulate their business strategies accordingly.

Currently, DataCube provides business solution services, customized peer-to-peer data analysis platform and local data talents through data research, analysis and adoption.

In 2018, DataCube had assisted one of our clients which is large scale general hospital in Guangzhou through our cancer data modelling system, to enable their staff to predict cancer status precisely before pathological examination. With thousands of expanding data set, we provided our client with data processing and modelling solutions made data search and analysis more efficient. The cancer tumor prediction accuracy has been enhanced and become more reliable.

With the efforts we invested in data analysis, AI and BI reporting tools, we provided complete chain and system for our clients. DataCube shall aim to extend our services to cover across government, medical and education etc. For instance, AI system can be applied to provide automatic vehicle identification in car parks whereby the car license plates are detected and identified to enhance the efficient security management of car parks. Through the spectrum of client portfolio we build, we will gain knowledge of different industries so that we can strengthen our skillset to provide quality services, hence, enhance our competitiveness to drive social awareness upon data application and accelerate the adoption of AI for the development of Smart Cities in Asia in the future. We expect that DataCube shall become one of the income drivers and contribute to the business of the Group in the years to come.

During the Year, Macro Group has contributed a revenue of approximately HK$36,948,000 to the Group. This encouraging result motivates the Directors and the Company to continue developing the business of Macro Group.

OTHER BUSINESSES

During the year ended 31 December 2018, the Company has been developing its existing businesses while keeping alert of the market trends so that it would be able to create a competitive edge for itself to provide more integrated and comprehensive services.

The Company subscribed 16.67% equity interest of FULLPAY K.K. (FULLPAY株式會社)("Fullpay"), which is a company incorporated in Japan under the form of a joint stock company (kabushiki kaisha) in 2017. Fullpay is principally engaged in the sourcing and provision of electronic fund transfer at point of sale ("EFTPOS") terminals and peripheral devices which support WeChat Pay, as well as the provision of relevant EFT-POS installation and system support services, to vendors in Japan. Grabbing hold of the rising popularity of mobile payment in the world, especially in China and the rocketing numbers of Chinese tourist in Japan, the Company shall continue to seize the opportunities of stepping into the mobile payment business so as to gain relevant knowledge and bring synergy effects to the other businesses of the Company through its investment in Fullpay. The Company shall pay close attention to the market development and consider increasing our involvement in the investment in Fullpay to enhance the benefits to the Group.

Other than the above, during the period under review, revenue from provision of information technology related services remained as staple income of the Group.

OUTLOOK AND PROSPECT

In 2018, the Group has made steady progress in refining its business model, putting more emphasis on our main business in Macro and the future development of DataCube. Leveraging our established brand names including Macro and DataCube, we deliver quality services to our clients. With more centralized resources, the Group will continue to endeavour to intensify its innovation facilitation and enhance new market expansions.

Looking forward, we shall continue to team up Macro and DataCube so as to synergize our IT capabilities and to jump on the bandwagon of Smart Cities among the businesses. Having the vision of giving the most suitable data analysis and intelligence systems to our clients, together with the experiences and knowledge we gained through the years, we walk hand in hand with our clients and persistently develop and improve our own self-developed software for AI statistical analysis platform so that we can provide unique and customized services to our clients. With the self-developed software which is still uncommon among our competitors, we strengthen our competitive edge to stand out in the market.

Management Discussion and Analysis

Seeing the robust development of AI and BI, the Group shall further its development as a Marketing AI integrated solution provider, mainly in two categories, namely, MarTech AI and AdTech AI, providing marketing and advertising services with AI technology respectively. In view of the evolving trend for SmartMalls, SmartShops and SmartRetail, for MarTech AI, we provide comprehensive services including big data AI platform where data is gathered and analyzed and with the help of AI book which is an end to end machine learning platform, it provides insights on model performance, key drivers and ready reports to our clients. We also provide AI infrastructures, management and AI advisory services to assist clients to optimize their business process. On the other hand, seeing the popularity of IoT, with the information collected and analyzed, we provide online merge offline ("OMO") advertisement management platform and OMO SSP supplier platform services for AdTech AI to our clients. We then provide comprehensive advertising services with advertising means like shopping malls, public transportation, offices and even car parks.

Encouraged by the achievements in 2018, in the year to come, we shall adhere to our business strategy to develop our main business in Macro and DataCube. We dedicate to pay close attention to the development in the industry as well as the macro-economy and keep abreast of the knowledge and technology so that the Group can provide the most advanced yet reliable service to our clients and bring profits to the Group and its shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for 2018 amounted to approximately HK$51,666,000, increased by 5.8% from approximately HK$48,817,000 in 2017. The increase in revenue was mainly attributable to the increase in interest revenue during the year.

Cost of sales and services

The Group had a total cost of sales and services of approximately HK$31,112,000 for 2018, which decreased by 0.4% compared with approximately HK$31,245,000 in 2017. The decrease was mainly attributable to the decrease in cost for software development and system integration business pursuant to the disposal of Pantosoft during the year.

Gross profit

The gross profit of the Group in 2018 amounted to approximately HK$20,554,000 which increased by approximately HK$2,982,000 compared with approximately HK$17,572,000 in 2017. The gross profit margin of revenue from contracts with customers was 17.3% compared with 19.7% in 2017. The decrease in gross profit margin is mainly due to the increase in direct labour cost during the year and the increase in gross profit was mainly due to the increase in loan interest income during the year.

Management Discussion and Analysis

Other income and gains

During the financial year ended 31 December 2018, the Group generated other income and gains of approximately HK$1,169,000 (2017: approximately HK$2,531,000) which comprised: (i) dividend income amounted to approximately HK$160,000 (2017: HK$nil); (ii) gain on disposal of equity investments at fair value through other comprehensive income amounted to approximately HK$65,000 (2017: HK$nil); (iii) reversal of impairment loss on trade receivables amounted to HK$nil (2017: approximately HK$387,000); (iv) government grants amounted to HK$nil (2017: approximately HK$127,000); (v) waived other payable amounted to HK$nil (2017: approximately HK$661,000); (vi) foreign exchange gain of approximately HK$588,000 (2017: approximately HK$1,000) and (vii) other miscellaneous items in an aggregate amounted of approximately HK$356,000 (2017: approximately HK$1,355,000).

Selling and distribution expenses

The Group's selling and distribution expenses in 2018 amounted to approximately HK$5,314,000, which increased by 13.9% compared with approximately HK$4,665,000 in 2017. The increase was mainly due to Macro Group increased its promotional activities efforts during the year.

Administrative expenses

Administrative expenses of the Group in 2018 were approximately HK$42,502,000, decreased by 67.2% comparing to approximately HK$129,742,000 in 2017. The decrease was mainly due to the recognition of share options granted to employees and consultants for the amount of approximately HK$81,842,000 in 2017.

Other expenses

Other expenses of the Group were HK$nil in 2018 compared to approximately HK$2,921,000 for the previous year, which comprised: (i) impairment loss on trade receivables amounted to HK$nil (2017: approximately HK$1,660,000); (ii) loss on disposal of property, plant and equipment amounted to HK$nil (2017: HK$35,000); and (iii) other miscellaneous expenses of HK$nil (2017: approximately HK$1,226,000).

Gain on disposal of subsidiaries

During the year, the Group recognized a gain of HK$11,662,000 from disposal of its equity interests in Rosy Beauty Investments Limited ("Rosy Beauty"), Pantosoft and China Information Technology Development Japan K.K. ("CITDJ"), which were completed on 9 January 2018, 5 June 2018 and 31 August 2018 respectively.

Fair value (loss)/gain on investments at fair value through profit or loss

As at 31 December 2018, the Group held an investment portfolio comprising of marketable securities that are listed on the Stock Exchange. The financial loss from the portfolio amounted to approximately HK$19,461,000 (2017: gain of approximately HK$1,479,000).

Management Discussion and Analysis

Change in fair value of investment properties

As at 31 December 2018, the Group recorded a decrease in fair value of investment properties of approximately HK$41,805,000 (2017: HK$nil) due to the recession of the property market in the PRC.

Finance costs

Finance costs of the Group for 2018 were approximately HK$4,730,000, a decrease of approximately HK$341,000 comparing to approximately HK$5,071,000 in 2017. Finance costs for the year were mainly attributed to bank loan interest expenses of approximately HK$2,541,000 incurred mainly by Joyunited in relation to the Group's investment properties and other loan interest expenses of approximately HK$2,189,000.

Loss attributable to owners

The Group's loss attributable to owners of the Company was approximately HK$75,531,000 for 2018 as compared to approximately HK$112,456,000 in 2017. The decrease in loss was mainly due to the recognition of share options granted to employees and consultants for the amount of approximately HK$81,842,000 in 2017. The loss attributable to owners of the Company for the year is mainly due to decrease in fair value of the PRC properties of approximately HK$41,805,000 and the fair value loss on investments at fair value through profit or loss of approximately HK$19,461,000.

FINANCIAL POSITION

Liquidity and financial resource

As at 31 December 2018, cash and bank balances held by the Group decreased from approximately HK$34,118,000 as of 31 December 2017 to approximately HK$4,658,000.

As at 31 December 2018, the Group's total borrowings amounted approximately HK$52,921,000 (2017: approximately HK$68,921,000). The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.12 (2017: 0.13).

For the year ended 31 December 2018, the Group had capital expenditure of approximately HK$2,630,000 (2017: approximately HK$1,230,000) for addition of property, plant and equipment, and approximately HK$2,550,000 for further construction works of investment properties (2017: approximately HK$58,176,000 for addition of investment properties by acquisition of a subsidiary and further construction works).

Capital structure

Pursuant to an ordinary resolution passed by the shareholders of the Company on 30 June 2017, the authorised share capital of the Company was increased from HK$800,000,000 to HK$1,200,000,000 by the creation of 4,000,000,000 ordinary shares of HK$0.10 each, those new ordinary shares rank pari passu in all respects with the existing shares of the Company.

As at 31 December 2018 and as at the date of this report, there are a total of 5,712,151,908 issued shares of the Company.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To their best of knowledge and belief, the Directors consider that the followings are the key risks and uncertainties identified by the Group as at the date of this report.

Foreign Exchange Rates Risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Liquidity Risk

Liquidity risk is the potential risk that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Price Risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The Directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

EMPLOYEES AND REMUNERATION POLICIES

There were a total of 59 employees in the Group as of 31 December 2018 (2017: 106 employees). Total expenses on employee benefits amounted to approximately HK$25,117,000 for the year ended 31 December 2018 (2017: approximately HK$81,304,000, in which approximately HK$57,191,000 related to equity-settled share-based payment). The management believes the remuneration packages offered by the Group to its employees are competitive.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

SUBSEQUENT EVENTS

On 15 January 2019, the Company entered into the non-legally binding memorandum of understanding (the "MOU") with an independent third party in relation to the possible acquisition of certain land and buildings with a data centre located in Nansha District, Guangzhou, the People's Republic of China. The Company paid a refundable deposit of RMB20,000,000 in cash to the independent third party upon signing of the MOU. Details of the MOU are set out in the announcement dated 15 January 2019.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG Kui Shing, Danny, aged 59, holds a Bachelor of Arts degree from the University of Hong Kong. He is currently the chairman ("Chairman") and chief executive officer ("Chief Executive Officer") of the Company. He is currently an executive director of Huiyin Holdings Group Limited (Stock Code: 1178), Larry Jewelry International Company Limited (Stock Code: 8351). He was an executive director of TFG International Group Limited (Former name: Ceneric (Holdings) Limited, Stock Code: 542) since 21 August 2015 to 31 January 2019 and redesignated as a non-executive director since 1 February 2019. He is also currently an independent non-executive director of Tech Pro Technology Development Limited (Stock Code: 3823) and Far East Holdings International Limited (Stock Code: 36). He was also a vice chief executive officer of InvesTech Holdings Limited (Stock Code: 1087) ("InvesTech Holdings") from 27 June 2015 to 24 September 2015. He was a non-executive director and a member of the nomination committee of InvesTech Holdings from 24 September 2015 to 1 June 2017. He was a non-executive director of Shi Shi Services Limited (Former name: Kong Shum Union Property Management (Holding) Limited Stock Code: 8181) from 19 October 2015 to 18 January 2017. He was a former executive director and managing director of Emperor Culture Group Limited (Former name: See Corporation Limited, Stock Code: 491). In addition, Mr. Wong was a former executive director of SMI Holdings Group Limited (Stock Code: 198). He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market. Mr. Wong joined the Group on 26 March 2015.

Mr. TSE Chi Wai, aged 51, was appointed an executive director on 15 August 2011. He is also the chief financial officer and company secretary ("Company Secretary") of the Company. Mr. Tse graduated from the University of Hong Kong in 1989 with a bachelor degree in Social Science Studies. Mr. Tse is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tse has extensive experience in auditing, accounting and finance gained from working with various international accounting firms and listed companies. Mr. Tse is also an executive director of Jih Sun Financial Holding Company Limited, the shares of which are listed in Taiwan and an independent non-executive director of certain Hong Kong listed companies, namely China Environmental Technology Holdings Limited (Stock Code: 646); Great Water Holdings Limited (Stock Code: 8196); Huarong Investment Stock Corporation Limited (Stock Code: 2277) and Winto Group (Holdings) Limited (Stock Code: 8238). He was an independent non-executive director of Chong Kin Group Holdings Limited (Stock Code: 1609) from January 2018 to August 2018. Mr. Tse was an independent non-executive director of Greens Holdings Ltd ("Greens Holdings") (Stock Code: 1318) from March 2015 to November 2015 and Sunac China Holdings Limited ("Sunac") (Stock Code: 1918) from December 2012 to December 2017. Mr. Tse joined the Group in May 2010.

EXECUTIVE DIRECTORS *(Continued)*

During the period between March 2015 and November 2015, Mr. Tse was an independent non-executive director of Greens Holdings, a company incorporated in the Cayman Islands and principally engaged in the manufacture and supply of heat transfer products and solutions. Greens Holdings announced that (i) on 2 September 2015, Greens Holdings filed a winding up petition with the Grand Court of the Cayman Islands as Greens Holdings was unable to repay its debt; (ii) on 29 September 2015, a winding up petition was filed with the High Court of Hong Kong against Greens Holdings by a bondholder for an outstanding debt under the unlisted bonds issued by Greens Holdings in January 2015; (iii) on 8 October 2015, joint provisional liquidators were appointed pursuant to an order of the Grand Court of the Cayman Islands; (iv) the winding up petition hearing which was originally scheduled on 2 December 2015, has been adjourned several times to 3 August 2016 of which the petitioner was granted leave to withdraw the winding up petition in Hong Kong; (v) the Cayman Court of the Cayman Islands convened a case management conference on 7 April 2016 and ordered that the winding up petition with the Cayman Court of the Cayman Islands be listed for directions hearing on 17 May 2016, which was adjourned and rescheduled for several times until a date to be fixed after 30 April 2017; and (vi) the Stock Exchange issued a letter dated 28 October 2016 to Greens Holdings stating that it had decided to place Greens Holdings into the third delisting stage. Mr. Tse confirmed that (i) there is no wrongful act on his part leading to the said winding up petitions and he is not aware of any actual or potential claim which has been or will be made against him as a result of the said winding up petitions; and (ii) his involvement in Greens Holdings during his tenure was part and parcel of his services as a director thereof and no misconduct or misfeasance on his part had been involved in the said winding up petitions.

The following particulars relating to Mr. Tse are disclosed pursuant to Rule 17.50(2)(n)(iv) of the GEM Listing Rules:

In October 2017, based on findings made by the Listing Committee of the Stock Exchange ("Listing Committee") in respect of Sunac and on Sunac's acceptance, without admission of any liabilities and for the purpose of settlement, of the relevant findings, the Listing Committee censured Sunac for breaching Rule 2.13(2) of the Listing Rules for failure to ensure the announcements made in February 2015 and May 2015 were accurate and complete in all material aspects, and not misleading. Please refer to the Listing Committee's news issued on 26 October 2017 for further details.

Although Mr. Tse was an independent non-executive director of Sunac at the relevant time, Mr. Tse was not personally subject to any investigation process, disciplinary action or censure from the Listing Committee or any other competent authority in respect of the above matters.

EXECUTIVE DIRECTORS *(Continued)*

Mr. WONG King Shiu, Daniel, aged 59, has over 13 years of experience in natural resources industry and served as an executive director in a various natural resources company which is listed in Hong Kong. He also has extensive experience in the management and development of natural resources projects in China. He is currently an executive director of China Baoli Technologies Holdings Limited (Stock Code: 164), and an independent non-executive director of Huisheng International Holdings Limited (Stock Code: 1340), both companies listed on the main board of the Stock Exchange. Mr. Daniel Wong joined the Group on 16 August 2017.

Mr. Takashi TOGO, aged 55, holds a bachelor degree of Economics from Hitotsubashi University in Japan. Mr. Togo is currently a non-executive director of Sau San Tong Holdings Limited (Stock Code: 8200). He has over 11 years' experience in foreign equities investment. He was the investment manager of several investment funds in Japan including Yasuda Trust & Banking Corporation Limited and Fuji Investment Management Company Limited. He also specializes in merger and acquisitions, his clients cover major reputable Japan corporations. Mr. Togo has been serving as the chief executive officer of a consultancy firm in Japan since 2000. He is also currently participating in a few big property projects in Tokyo and Osaka. Mr. Togo joined the Group on 20 April 2015.

Mr. CHAN Kai Leung, aged 53, holds a BSc (Hons) Degree in Computing and Information Systems from London Metropolitan University. He is currently the director and general manager of Macro Systems Limited ("Macro Systems"), the subsidiary of the Company. He founded Macro Systems in 1997 and is responsible for providing Macro Systems the vision and leadership and supporting the continuous improvement of overall market strategy, business development and operation. Mr. Chan has more than 20 years' experience in information system. Mr. Chan joined the Group in December 2016 and appointed as an executive Director on 16 August 2017.

NON-EXECUTIVE DIRECTOR

Mr. WONG Chi Yung, aged 35, started his career in an international accounting firm for over 2 years focusing on assurance and advisory business services. Mr. Wong holds a bachelor degree of business administration in Management of Organizations and Finance from The Hong Kong University of Science and Technology. He is a nephew of Mr. Wong Kui Shing, Danny, who is the executive Director, Chairman and Chief Executive Officer of the Company. Mr. Wong is currently an independent non-executive director of Polyfair Holdings Limited (Stock Code: 8532). He had also been engaged as an operation controller in a company listed on the main board of Stock Exchange, which is mainly engaged in the cinema business in the PRC. Mr. Wong joined the Group on 20 April 2015 as an executive Director and re-designated as non-executive Director on 8 July 2016.

Biographical Information of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUNG Hing Man, aged 48, holds a master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung is also an independent non-executive director of Heng Tai Consumables Group Limited (Stock Code: 197) since 20 February 2017 and REXLot Holdings Limited (Stock Code: 555) since 1 January 2019 respectively. He was an independent non-executive director of the Hong Kong listed company, namely China Baoli Technologies Holdings Limited (Stock Code: 164) from 31 March 2009 to 21 September 2015 and Ping An Securities Group (Holdings) Limited (Stock Code: 231) from 23 September 2009 to 17 November 2015. Mr. Hung joined the Group on 24 April 2015.

Mr. WONG Hoi Kuen, aged 58, is a practising certified public accountant in Hong Kong and a chartered accountant in the United Kingdom. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales.

Mr. Wong is an independent non-executive director, members of audit committee and nomination committee of Elife Holdings Limited (Stock Code: 223) since 9 May 2011 and an independent non-executive director of REXLot Holdings Limited (Stock code: 555) since 29 June 2018. Mr. Wong was also an independent non-executive director, members of audit committee and nomination committee of China Baoli Technologies Holdings Limited (Stock Code: 164) from 13 February 2006 to 16 July 2018. Mr. Wong joined the Group on 16 August 2017.

Dr. CHEN Shengrong, aged 37, obtained a doctorate degree in Business Administration from the Pacific States University of the USA in 2011. She was an audit manager with Baker Tilly China Certified Public Accountants and had been the vice general manager of New Times Securities Company Limited in charge of risk control. From August 2014 to December 2016, Dr. Chen served as the vice president of finance of Skyslink New Energy Asset Management Limited. Since January 2017, she serves as the vice president of Sky Cloud Green Data Technology Co., Ltd.(天之雲綠色數據技術有限責任公司). Dr. Chen has extensive experience in internal control of enterprises, risk control in investment businesses, project risk evaluation and assets restructuring management. Dr. Chen joined the Group on 30 January 2015.

SENIOR MANAGEMENT

The Executive Directors are also senior management of the Group.

Report of the Directors

The Directors present their report and the audited consolidated financial statements of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 35 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and indication of likely future developments in the Group's businesses and other relevant information, can be found in the Management Discussion and Analysis set out on pages 7 to 14 and the Chairman's Statements as set out on pages 5 to 6 of this report. Such discussion forms part of this Report of the Directors.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 45 to 48.

The audit committee of the Company (the "Audit Committee") has reviewed the draft audited consolidated financial statements and annual report before presenting them to the Board for consideration and approval.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 121. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movement in the share capital and share options of the Company during the year are set out in note 31 and note 32 to the consolidated financial statements respectively.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme adopted by the Company on 2 August 2012 ("Share Option Scheme") as disclosed in the section headed "Share Options" of this Report of the Directors, the Company has not entered into any equity-linked agreement for the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Associations") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had no reserve available for distribution to shareholders (including share premium account, foreign currency translation reserve and retained earnings). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business, in accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 33.5% of the total sales for the year and sales to the largest customer included therein amounted to 17.3%. Purchases from the Group's five largest suppliers accounted for 66.6% of the total purchases for the year and purchase from the largest supplier included therein amounted to 20.7%.

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

Report of the Directors

DIRECTORS

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

Executive Directors:

Mr. Wong Kui Shing, Danny *(Chairman and Chief Executive Officer)*
Mr. Tse Chi Wai
Mr. Takashi Togo
Mr. Wong King Shiu, Daniel
Mr. Chan Kai Leung
Ms. Wu Jingjing *(resigned on 5 January 2018)*

Non-Executive Director:

Mr. Wong Chi Yung

Independent non-executive Directors:

Mr. Hung Hing Man
Mr. Wong Hoi Kuen
Dr. Chen Shengrong
Mr. May Tai Keung, Nicholas *(resigned on 5 January 2018)*

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, one-third of the Directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 15 to 18 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee of the Company (the "Remuneration Committee"). Further details of the Directors' remuneration and the five highest paid individuals are set out in the Note 11 to the consolidated financial statements on pages 90 to 92 of the annual report.

PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, every Director or other senior officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company during the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

		Nature of Interest		Percentage of the Company's
Name of Directors	**Capacity**	**Registered Shareholder**	**Underlying Interest**	**issued share capital** *(approximately) (Note a)*
Mr. Wong Kui Shing, Danny	Interest in controlled corporation *(Note b)*	403,971,449	—	7.07%
	Beneficially owned	—	5,688,000	0.10%
Mr. Wong King Shiu, Daniel	Beneficially owned	10,008,000	57,000,000	1.17%

Note:

(a) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 5,712,151,908 Shares.

(b) The 403,971,449 Shares are held by Discover Wide Investment Limited ("Discover Wide"), which is wholly-owned by Mr. Wong Kai Shing, Danny. Pursuant to the provisions 7 and 8 of Part XV of the SFO, Mr. Wong is deemed to have an interest in all shares in which Discover Wide has, or deemed to have an interest.

Save as disclosed above and in the section headed "Share Options", as at 31 December 2018 and as at of the date of this report, none of the Directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

On 11 April 2017, the Company granted a total of 571,200,000 share options with rights to subscribe for 571,200,000 ordinary shares of HK$0.1 each in the share capital of the Company under the Share Option Scheme.

On 27 September 2017, the Company granted a total of 571,200,000 share options with rights to subscribe 571,200,000 ordinary shares of HK$0.1 each in the share capital under the Share Option Scheme. A total of 224,784,000 share options were granted to Directors of the Company. As at the date of this report, details of the share options granted are as follows:

				Number of share options			
Name of Grantees	**Position held with the Company**	**Date of Grant**	**Exercise period**	**Outstanding as at 1 January 2018**	**Lapsed during the year**	**Outstanding as at 31 December 2018**	**Exercise price per share**
Directors							
Mr. Wong Kui Shing, Danny	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	5,688,000	—	5,688,000	HK$0.153
Mr. Tse Chi Wai	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK$0.153
Mr. Takashi Togo	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK$0.153
Mr. Wong King Shiu, Daniel	Executive Director	27 September 2017	27 September 2017 - 26 September 2027	57,000,000	—	57,000,000	HK$0.130
Mr. Chan Kai Leung	Executive Director	27 September 2017	27 September 2017 - 26 September 2027	5,016,000	—	5,016,000	HK$0.130
Mr. Wong Chi Yung	Non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	33,000,000	—	33,000,000	HK$0.153
Mr. Hung Hing Man	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK$0.153
Dr. Chen Shengrong	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK$0.153
Mr. Wong Hoi Kuen	Independent non-executive Director	27 September 2017	27 September 2017 - 26 September 2027	2,016,000	—	2,016,000	HK$0.130
Former Directors							
Ms. Wu Jingjing *(resigned on 5 January 2018)*	Executive Director (currently vice president of Business Development Department of the Company)	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK$0.153
Mr. May Tai Keung, Nicholas *(resigned on 5 January 2018)*	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	(2,016,000)	—	HK$0.153
	Sub-total			224,784,000	(2,016,000)	222,768,000	

Name of Grantees	Date of Grant	Exercise period	Number of share options: Outstanding as at 1 January 2018	Lapsed during the year	Outstanding as at 31 December 2018	Exercise price per share
Other staff and consultants	11 April 2017	11 April 2017 - 10 April 2027	408,960,000	(3,000,000)	405,960,000	HK$0.153
	27 September 2017	27 September 2017 - 26 September 2027	507,168,000	(1,488,000)	505,680,000	HK$0.130
Total			1,140,912,000	(6,504,000)	1,134,408,000	

All the outstanding share options granted on 11 April 2017 are exercisable during the period from date of grant to 10 April 2027 at an exercise price of HK$0.153 per share. The closing price per share immediately before the date of grant on 11 April 2017 was HK$0.145.

All the outstanding share options granted on 27 September 2017 are exercisable during the period from date of grant to 26 September 2027 at an exercise price of HK$0.130 per share. The closing price per share immediately before the date of grant on 27 September 2017 was HK$0.130.

Save as disclosed above, none of the outstanding share options were exercised or cancelled or lapsed during the year ended 31 December 2018.

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

At 31 December 2018, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	**Capacity and nature of interest**	**Number of ordinary shares held** *(Nature of Interest)*	**Percentage of the Company's issued share capital** *(Note)*
Discover Wide Investments Limited	Directly beneficially owned	403,971,449 *(Registered Shareholder)*	7.07%
Mr. Zhang Rong	Directly beneficially owned	509,824,000 *(Registered Shareholder)*	8.93%

Note:

The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 5,712,151,908 shares.

Save as disclosed above, as at 31 December 2018, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's interests and short positions in shares and underlying shares and debentures" above, had registered an interest or a short position in the shares or underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The details of environmental, social and governance policies and performance of the Group will be disclosed in a standalone Environmental, Social and Governance Report, which will be issued in or before June 2019.

Report of the Directors

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees. Through regular stakeholder engagement via different channels, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group.

The Group maintains strong relationships with its employees and offers them with safe working environments. The Group has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2018 and up to the date of this report, the Directors had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to the GEM Listing Rules were as follows:

Name of Director	Name of Company	Nature of Business	Nature of interest
Wong Kui Shing, Danny	TFG International Group Limited ("TFG"), Stock Code: 542	Money Lending Business	Executive director of TFG
	Huiyin Holdings Group Limited ("Huiyin"), Stock Code: 1178	Money Lending Business	Executive director of Huiyin
Wong King Shiu, Daniel	Huisheng International Holdings Limited ("Huisheng") Stock Code: 1340	Money Lending Business	Independent non-executive director of Huisheng

As the Board is independent to the boards of the above mentioned companies, the Group is capable of carrying on its business independently of and at arm's length, from the business of those companies.

During the year and up to the date of this report, save as disclosed above, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 29 to 40.

AUDITORS

ZHONGHUI ANDA CPA Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Mr. Wong Kui Shing, Danny
Chairman and Chief Executive Officer

Hong Kong
26 March 2019

Corporate Governance Report

INTRODUCTION

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

Code Provision A.2.1

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Kui Shing, Danny ("Mr. Wong") serves as both the Chairman and the Chief Executive Officer, such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps maintain the continuity of the policies and the stability of the operations of the Company. The Company has been proactively recruiting candidates for the post of Chief Executive Officer through different means so as to fulfill the requirements of A.2.1 of the Code as soon as possible.

Code Provision A.2.7

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

The board meetings of the Company held during the year had included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board.

The Company will endeavor to arrange the meetings for the Chairman with the non-executive Director (including the independent non-executive Directors) so as to comply with the requirement of Code Provision A.2.7.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term.

None of the non-executive Directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1. Nonetheless, in accordance with the Articles of Association of the Company, all non-executive Directors are subject to retirement by rotation. The Company considers that there are sufficient measures to ensure the corporate governance standard of the Company is not less exacting than the Code.

Code Provision E.1.2.

Code Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting.

Mr. Wong Kui Shing, Danny, the Chairman was unable to attend the annual general meeting on 30 June 2018 ("AGM") due to other business commitment. An executive Director of the Company chaired AGM and answered questions from the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Other than the AGM, the shareholders may communicate with the Company through the contact information listed on the Company's website. The Company will endeavor to ensure of the attendance of the Directors so as to comply with the requirement of Code Provision E.1.2.

BOARD OF DIRECTORS

The Board, which currently comprises nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible for corporate strategy, annual, interim and quarterly results, succession planning, internal control and risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters of the Company. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of risk management and internal controls procedures, and compliance with relevant statutory requirements and rules and regulations.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director and non-executive Director (including the independent non-executive Director) has sufficient experience, knowledge and execution ability to hold the position so as to carry out his duties effectively and efficiently.

The composition of the Board, details of backgrounds and qualifications of all Directors are set out in the "Corporate Information" and "Biographical Details of Directors and Senior Management" sections of this annual report. The latest list of Directors setting out their roles and responsibilities is available and accessible at the websites of the Company (http://www.citd.com.hk) and the Stock Exchange (www.hkexnews.hk).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Directors have confirmed that they have complied with the GEM Listing Rules throughout the year ended 31 December 2018.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each Director receives comprehensive, formal and tailored induction on the first occasion of his appointment so as to ensure the he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development.

Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The executive Directors and non-executive Directors have not entered into any service contract with the Company with a fixed term, yet all the Directors of the Company are subject to retirement and re-election at the forthcoming general meeting of the Company after his appointment and will also be subject to retirement but rotation and re-election in accordance with the Articles of Associations and the Code.

BOARD MEETING

During the year of 2018, the board held totally seven board meetings and one general meeting. The attendance of each Director are set out below:

Name of Director	**Attendance/ Number of board meetings held**	**Attendance/ Number of general meeting held**
Executive Directors:		
Mr. Wong Kui Shing, Danny *(Chairman and Chief Executive Officer)*	2/7	0/1
Mr. Tse Chi Wai	7/7	1/1
Mr. Takashi Togo	0/7	0/1
Mr. Wong King Shiu, Daniel	6/7	1/1
Mr. Chan Kai Leung	6/7	1/1
Ms. Wu Jingjing *(resigned on 5 January 2018)*	0/7	N/A

Name of Director	**Attendance/ Number of board meetings held**	**Attendance/ Number of general meeting held**
Non-executive Director:		
Mr. Wong Chi Yung	5/7	1/1

Name of Director	Attendance/ Number of board meetings held	Attendance/ Number of general meeting held
Independent non-executive Directors:		
Mr. Hung Hing Man	7/7	1/1
Dr. Chen Shengrong	4/7	1/1
Mr. Wong Hoi Kuen	7/7	1/1
Mr. May Tai Keung, Nicholas *(resigned on 5 January 2018)*	0/7	N/A

At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Board's procedures comply with the Articles of Association, as well as relevant rules and regulations.

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

Board minutes of each Board meeting are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

NON-EXECUTIVE DIRECTORS

The Board fulfilled the requirement of appointing at least three independent non-executive directors and they represented at least one-third of the Board as stipulated by the GEM Listing Rules. It met the requirement of having at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders.

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 5.09 of the GEM Listing Rules. The independent non-executive Directors have confirmed that they are independent.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged for appropriate liabilities insurance for the Directors to cover their liabilities arising out of corporate activities.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance functions, which include but not limited to the following duties:

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

(b) To review and monitor the training and conditions professional development of Directors and senor 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 applicable to employees and Directors; and

(e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report. The Board has discharged the above functions during the year under review.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules.

During the year under review, members of the Remuneration Committee are Mr. Wong Hoi Kuen (appointed as a committee member on 16 August 2017 and committee chairman on 5 January 2018). Mr. Hung Hing Man, Dr. Chen Shengrong, Mr. May Tai Keung, Nicholas (resigned as Director and committee chairman on 5 January 2018). All of the Remuneration Committee members are independent non-executive Directors.

Its main role and function included the determination of specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive directors and senior management of the Company. The Remuneration Committee will consider 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.

During the year of 2018, one Remuneration Committee meeting was held. The attendance of each member is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Wong Hoi Kuen *(appointed as Committee Chairman on 5 January 2018)*	1/1
Mr. Hung Hing Man	1/1
Dr. Chen Shengrong	1/1
Mr. May Tai Keung, Nicholas *(resigned as director and Committee Chairman on 5 January 2018)*	N/A

The works performed by the Remuneration Committee during the year include the following:

- reviewed and determined the policy for the remuneration of Directors and senior management;
- reviewed and recommended the remuneration package of the Directors and senior management of the Company;
- reviewed and approved the terms of executive Directors' service contract.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Articles of Association to appoint any person as a director either to fill a casual vacancy or, subject to authorisation by the shareholders of the Company in general meeting, as an additional member of the Board. The Company has adopted the nomination policy (the "Nomination Policy") with effect from 1 January 2019. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board of Directors. The criteria for recommending the suitable candidates for directorship include (i) reputation for integrity, (ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, (iii) commitment in respect of sufficient time and relevant interest; (iv) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and (v) such other perspectives appropriate to the Company's business. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate and recommend any person, as it considers appropriate to the Board for further approval.

The Nomination Committee shall review and recommend to the Board on any revisions to the Nomination Policy to ensure its transparent and fair for the election or re-election process of directors, remains relevant to the Company needs and reflects the good corporate governance practice. The Nomination Committee will discuss any revisions that may be required, and recommend any such revision to the Board for consideration and approval.

During the year ended 31 December 2018, no candidate was nominated for directorship.

BOARD DIVERSITY POLICY

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities.

The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board. Nomination Committee has considered measurable objectives based on four focus areas: gender, age, professional experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness at least once annually. The Board Diversity Policy is available on the website of the Company for public information.

NOMINATION COMMITTEE

The Company established a nomination committee of the Company (the "Nomination Committee") with written terms of reference in compliance with Code Provisions A.5.1 to A.5.6 of Appendix 15 of the GEM Listing Rules.

During the year under review, members of the Nomination Committee are Mr. Hung Hing Man (committee chairman). Dr. Chen Shengrong, Mr. Wong Hoi Kuen and Mr. May Tai Keung, Nicholas (resigned as Director on 5 January 2018). All of the Nomination Committee members are independent non-executive Directors.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment, re-appointment and succession of directors.

During the year of 2018, one Nomination Committee meetings was held. The attendance of each member is set out below:

Name of member	**Attendance/ Number of meetings held**
Mr. Hung Hing Man *(Committee Chairman)*	1/1
Dr. Chen Shengrong	0/1
Mr. Wong Hoi Kuen	1/1
Mr. May Tai Keung, Nicholas *(resigned on 5 January 2018)*	N/A

The works performed by the Nomination Committee during the year include the following:

- reviewed the structure, size and composition of the Board according to the board diversity and the development of the Company and the market situation.

- accessed the independence of independent non-executive Directors.

- reviewed the revisions to the terms of reference of Nomination Committee.

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company.

AUDIT COMMITTEE

The Company established an audit committee of the Company (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules.

During the year under review, members of the Audit Committee are Mr. Hung Hing Man (committee chairman), Dr. Chen Shengrong, Mr. Wong Hoi Kuen and Mr. May Tai Keung, Nicholas (resigned on 5 January 2018). All of the Audit Committee members are independent non-executive Directors.

The duties of the Audit Committee include supervising the financial reporting procedure and reviewing the consolidated financial statements of the Group, examining and monitoring the internal control and risk management systems adopted by the Group and reviewing the relevant work of the Group's external auditor. The Audit Committee had reviewed this annual report and confirmed that it complies with the applicable standard, the Listing Rules and other applicable legal requirements and the adequate disclosures have been made. There is no disagreement between the members of the Audit Committee regarding the selection and appointment of external auditors.

During the year under review, four Audit Committee meetings were held. The attendance of each member is set out below:

Name of member	**Attendance/ Number of meetings held**
Mr. Hung Hing Man *(Committee Chairman)*	4/4
Mr. Wong Hoi Kuen	4/4
Dr. Chen Shengrong	4/4
Mr. May Tai Keung, Nicholas *(resigned on 5 January 2018)*	N/A

The works performed by the Audit Committee during the year includes the following:

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2017.
- reviewed the first quarterly report and results announcement of the Company for the three months ended 31 March 2018.
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2018.
- reviewed the third quarterly report and results announcement of the Company for the nine months ended 30 September 2018.
- reviewed the risk management and internal control systems of the Group.
- reviewed the effectiveness of the internal audit of the Company.
- reviewed the revised terms of reference of Audit Committee.
- considering the re-election of auditors of the Company and discussing with the auditors about the audit plan.

COMPANY SECRETARY

As at 31 December 2018, the Company Secretary of the Company, Mr. Tse Chi Wai, who is also an executive Director, fulfilled the requirement under Rules 5.14 and 5.15 of the GEM Listing Rules. As an employee of the Company, the Company Secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of directors. He has attained not less than fifteen hours of relevant professional training during the year. His biography is set out in the "Directors and Senior Management" section of this annual report.

FINANCIAL REPORTING

With the assistance of the accounting department of the Company, the Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2018 and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with the statutory requirements including the Hong Kong Companies Ordinances and the Listing Rules and the applicable accounting standards including the International Financial Reporting Standards, Hong Kong Financial Reporting Standards. These statutory requirements and applicable accounting standards have been consistently used and applied and reasonable judgements and estimates are properly made. The Board aims to present a clear and balanced assessments of the Group's performance in the annual, interim and quarterly reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. During the year of 2018, the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Directors' responsibilities for the consolidated financial statements and the responsibilities of the external auditors to the shareholders are set out on page 43.

AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the auditor's remuneration for audit services was HK$620,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations, to safeguard the shareholders' investment and the Group's assets and to ensure strict compliance with relevant laws, rules and regulations. The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group ("Senior Management"). The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives. The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems and reporting to the Board. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

The Group has formulated and adopted risk management policy in providing directions in identifying, evaluating and managing significant risks. At least on an annual basis, the senior management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems were effective during the year. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

INSIDE INFORMATION

Guidelines are provided to the Directors, management and relevant staff (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The procedures include, among others, regularly remind the Directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in the Model Code and the notification of the blackout period applicable to the publication of the annual and interim results of the Company respectively.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

SHAREHOLDERS' RIGHTS

In accordance with the Company's Article 58, any shareholder or shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Shareholders may put forward their enquiries about the Company to the Board or the Company Secretary at the Company's head office in Hong Kong.

DIVIDEND POLICY

The dividend policy of the Company has been adopted on 31 December 2018 which sets out the factors in determination of dividend payment of the Company (the "Dividend Policy").

Under the Dividend Policy, the declaration and payment of dividends shall be in accordance with the applicable laws and the relevant provisions of articles of association of the Company effective from time to time.

In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, the Group's earnings, reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Company in their long-term development, the financial conditions, business plan, future operations and earnings, capital requirement and expenditure plans of the Company, any restrictions on payment of dividends that may be imposed by the Group's lenders, the general market sentiment and circumstances and any other factors the Board deems appropriate.

The Company will continually review the Dividend Policy as appropriate from time to time. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board is committed to maintaining a high degree of corporate transparency, as well as establishing a policy of open communication with shareholders having the aim to ensure shareholders be provided with information about the Company and enable them to engage actively with the Company and to exercise their rights.

The Company communicates with shareholders and investors through various channels including publication of quarterly, interim and annual reports, announcements, circulars and other corporate information available on the websites of the Hong Kong Stock Exchange and/or the Company.

The Company's general meeting provides valuable opportunities for the Board to have face-to-face communication with the shareholders. The Company encourages the participation of the shareholders through annual general meeting and other general meetings where the shareholders exchange views with the Board, and to exercise their rights to vote at meetings.

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

ENQUIRES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Suite 2802, 28/F., Prosperity Tower, 39 Queen's Road Central, Hong Kong

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Independent Auditor's Report

To the shareholders of
China Information Technology Development Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 120, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Investment properties

Refer to note 15 to the consolidated financial statements.

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of approximately HK$336,971,000 as at 31 December 2018 and fair value loss of HK$41,805,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the competence, independence and integrity of the external valuer engaged by the Group;

— Obtaining the external valuation report and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

— Checking key assumptions and input data in the valuation model to supporting evidence;

— Checking arithmetical accuracy of the valuation model; and

— Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

Loan receivables

Refer to note 22 to the consolidated financial statements.

The Group tested the amount of loan receivables from borrowers for impairment. This impairment test is significant to our audit because the balance of loan receivables of approximately HK$127,366,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit periods to the borrowers;

— Evaluating the Group's impairment assessment;

— Obtaining confirmation from the borrowers;

— Assessing aging of the debts; and

— Checking subsequent settlements from the borrowers.

We consider that the Group's impairment test for the loan receivables is supported by the available evidence.

Other information

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084
Hong Kong, 26 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000 (Restated)
INTEREST REVENUE		**14,033**	9,889
OTHER REVENUE		**37,633**	38,928
TOTAL REVENUE	*6&7*	**51,666**	48,817
Cost of sales and services		**(31,112)**	(31,245)
Gross profit		**20,554**	17,572
Bank interest income		**2**	8
Other income and gains	*8*	**1,169**	2,531
Selling and distribution expenses		**(5,314)**	(4,665)
Administrative expenses		**(42,502)**	(129,742)
Other expenses		**—**	(2,921)
Gain on disposal of subsidiaries	*36*	**11,662**	9,019
Fair value (loss)/gain on investments at fair value through profit or loss		**(19,461)**	1,479
Change in fair value of investment properties		**(41,805)**	—
Finance costs	*9*	**(4,730)**	(5,071)
Share of results of associates		**—**	(309)
Gain on deregistration of subsidiaries		**—**	1,970
Loss on disposal of an associate		**—**	(7,154)
LOSS BEFORE TAX	*10*	**(80,425)**	(117,283)
Income tax credit	*12*	**1,913**	504
LOSS FOR THE YEAR		**(78,512)**	(116,779)
Attributable to:			
Owners of the Company		**(75,531)**	(112,456)
Non-controlling interests		**(2,981)**	(4,323)
		(78,512)	(116,779)
LOSS PER SHARE	*14*		
Basic		**HK(1.32) cents**	HK(1.97) cents
Diluted		**HK(1.32) cents**	HK(1.97) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000 (Restated)
LOSS FOR THE YEAR		**(78,512)**	(116,779)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of subsidiaries	*36*	**(2,986)**	2,339
Exchange differences reclassified to profit or loss on deregistration of subsidiaries		**—**	(1,981)
Exchange differences on translation of foreign operations		**(12,677)**	18,828
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		**(689)**	3,160
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX		**(16,352)**	22,346
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(94,864)**	(94,433)
Attributable to:			
Owners of the Company		**(91,884)**	(89,987)
Non-controlling interests		**(2,980)**	(4,446)
		(94,864)	(94,433)

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	At 31 December 2018 HK$'000	At 31 December 2017 HK$'000 (Restated)	At 1 January 2017 HK$'000 (Restated)
NON-CURRENT ASSETS				
Investment properties	*15*	**336,971**	395,094	313,328
Property, plant and equipment	*16*	**4,184**	12,384	13,045
Goodwill	*17*	**3,865**	3,865	3,865
Other intangible assets	*18*	**6,702**	7,485	8,268
Investment in an associate		**—**	—	60,048
Equity investments at fair value through other comprehensive income	*19*	**17,197**	15,036	1,000
Prepayments, deposits and other receivables	*20*	**1,568**	2,201	36,252
Deferred tax assets	*21*	**3,125**	2,386	1,882
Loan receivable	*22*	**10,000**	—	—
Total non-current assets		**383,612**	438,451	437,688
CURRENT ASSETS				
Inventories	*23*	**274**	704	464
Trade receivables	*24*	**3,216**	3,178	5,092
Contract assets	*25*	**14**	195	—
Prepayments, deposits and other receivables	*20*	**45,811**	41,613	83,293
Loan receivables	*22*	**117,366**	111,750	22,910
Investments at fair value through profit or loss	*26*	**38,012**	61,974	56,164
Bank and cash balances	*27*	**4,658**	34,118	80,329
Total current assets		**209,351**	253,532	248,252
CURRENT LIABILITIES				
Trade payables	*28*	**2,346**	7,563	7,734
Contract liabilities	*25*	**5,016**	3,186	3,540
Other payables and accruals	*29*	**86,156**	75,830	37,940
Current tax liabilities		**45**	531	8,293
Bank and other loans	*30*	**52,921**	68,921	81,435
Total current liabilities		**146,484**	156,031	138,942
NET CURRENT ASSETS		**62,867**	97,501	109,310

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2018

	Notes	**At 31 December 2018 HK$'000**	At 31 December 2017 HK$'000 (Restated)	At 1 January 2017 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**446,479**	535,952	546,998
NON-CURRENT LIABILITY				
Deferred tax liabilities	*21*	**–**	661	661
NET ASSETS		**446,479**	535,291	546,337
CAPITAL AND RESERVES				
Share capital	*31*	**571,215**	571,215	571,215
Reserves	*34*	**(124,028)**	(32,144)	(23,999)
Equity attributable to owners of the Company		**447,187**	539,071	547,216
Non-controlling interests		**(708)**	(3,780)	(879)
TOTAL EQUITY		**446,479**	535,291	546,337

Approved by the Board of Directors on 26 March 2019

Wong Kui Shing, Danny
Director

Tse Chi Wai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

		Attributable to owners of the Company									
	Notes	Share Capital HK$'000	Share premium account HK$'000 *(note 34(a)(ii))*	Share-based payment reserve HK$'000 *(note 34(a)(v))*	Foreign currency translation reserve HK$'000 *(note 34(a)(iii))*	PRC reserve funds HK$'000 *(note 34(a)(iv))*	Accumulated losses HK$'000	Investment revaluation reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		571,215	117,975	19,625	(13,114)	844	(149,329)	—	547,216	(879)	546,337
Loss for the year		—	—	—	—	—	(112,456)	—	(112,456)	(4,323)	(116,779)
Other comprehensive income/(loss) for the year:											
— Exchange differences reclassified to profit or loss on disposal of subsidiaries		—	—	—	2,339	—	—	—	2,339	—	2,339
— Exchange differences reclassified to profit or loss on deregistration of subsidiaries		—	—	—	(1,981)	—	—	—	(1,981)	—	(1,981)
— Exchange differences on translation of foreign operations		—	—	—	18,951	—	—	—	18,951	(123)	18,828
— Change in fair value of equity investments at fair value through other comprehensive income		—	—	—	—	—	—	3,160	3,160	—	3,160
Total comprehensive loss for the year		—	—	—	19,309	—	(112,456)	3,160	(89,987)	(4,446)	(94,433)
Equity-settled share-based payment expenses	*32*	—	—	81,842	—	—	—	—	81,842	—	81,842
Lapsed of share option	*32*	—	—	(19,625)	—	—	19,625	—	—	—	—
Disposal of subsidiaries		—	(10,867)	—	—	(60)	10,927	—	—	—	—
Deregistration of subsidiaries		—	—	—	—	47	(47)	—	—	—	—
Capital injection from non-controlling shareholders of a subsidiary		—	—	—	—	—	—	—	—	1,545	1,545
At 31 December 2017 and 1 January 2018		571,215	107,108*	81,842*	6,195*	831*	(231,280)*	3,160*	539,071	(3,780)	535,291

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2018

		Attributable to owners of the Company									
		Share Capital	Share premium account	Share-based payment reserve	Foreign currency translation reserve	PRC reserve funds	Accumulated losses	Investment revaluation reserve	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Notes		*(note 34(a)(ii))*	*(note 34(a)(v))*	*(note 34(a)(iii))*	*(note 34(a)(iv))*					
Loss for the year		—	—	—	—	—	(75,531)	—	(75,531)	(2,981)	(78,512)
Other comprehensive loss for the year:											
— Exchange differences reclassified to profit or loss on disposal of subsidiaries	*36*	—	—	—	(2,986)	—	—	—	(2,986)	—	(2,986)
— Exchange differences on translation of foreign operations		—	—	—	(12,678)	—	—	—	(12,678)	1	(12,677)
— Change in fair value of equity investments at fair value through other comprehensive income		—	—	—	—	—	—	(689)	(689)	—	(689)
Total comprehensive loss for the year		—	—	—	(15,664)	—	(75,531)	(689)	(91,884)	(2,980)	(94,864)
Lapsed of share option	*32*	—	—	(592)	—	—	592	—	—	—	—
Disposal of subsidiaries	*36*	—	—	—	—	(831)	831	—	—	6,052	6,052
At 31 December 2018		571,215	107,108*	81,250*	(9,469)*	—	(305,388)*	2,471*	447,187	(708)	446,479

Note:

* These reserve accounts comprise the consolidated reserve of approximately HK$(124,028,000) (2017: approximately HK$(32,144,000)) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(80,425)**	(117,283)
Adjustments for:		
Share of results of an associate	—	309
Equity-settled share-base payment	—	81,842
Finance costs	**4,730**	5,071
Bank interest income	**(2)**	(8)
Change in fair value of investment properties	**41,805**	—
Loss on disposal of an associate	—	7,154
Gain on disposal of subsidiaries	**(11,662)**	(9,019)
Loss on disposal of property, plant and equipment	—	35
Written off of property, plant and equipment	—	3
Impairment loss on other receivables	—	949
Fair value loss/(gain) on investments at fair value through profit or loss	**19,461**	(1,479)
Dividends received from investments at fair value through profit or loss	**(160)**	—
Depreciation	**1,331**	1,735
Amortisation of other intangible assets	**783**	783
Gain on disposal of equity investments at fair value through other comprehensive income	**(65)**	—
Impairment loss on trade receivables	**62**	1,660
Reversal of impairment loss on trade receivables	—	(387)
Gain on deregistration of subsidiaries	—	(1,970)
Operating loss before working capital change	**(24,142)**	(30,605)
Change in inventories	**82**	(240)
Change in trade receivables	**(2,371)**	816
Change in contract assets	**181**	(195)
Change in loan receivables	**(15,616)**	(88,840)
Change in prepayments, deposits and other receivables	**437**	(2,659)
Change in investments at fair value through profit or loss	**4,501**	(4,331)
Change in trade payables	**(1,831)**	39
Change in other payables and accruals	**21,387**	36,303
Change in contract liabilities	**1,836**	(354)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000 (Restated)
Cash used in operations	**(15,536)**	(90,066)
Loan interest paid	**(4,730)**	(5,071)
Net cash used in operating activities	**(20,266)**	(95,137)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(2,630)**	(1,230)
Proceeds from disposal of property, plant and equipment	**—**	8
Payments for construction works of investment properties	**(2,550)**	(22,153)
Purchase of equity investments at fair value through other comprehensive income	**(12,385)**	(1,341)
Proceeds from disposal of associates	**—**	84,000
Proceeds from disposal of subsidiaries	**14,713**	2,544
Proceeds from disposal of equity investment at fair value through other comprehensive income	**4,400**	—
Bank interest received	**2**	8
Dividends received from investments at fair value through profit or loss	**160**	—
Deregistration of subsidiaries	**—**	(9)
Net cash generated from investing activities	**1,710**	61,827

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection by non-controlling shareholders of a subsidiary	**—**	1,545
Other loans raised	**910**	2,587
Repayment of bank and other loans	**(10,927)**	(19,519)
Net cash used in financing activities	**(10,017)**	(15,387)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(28,573)**	(48,697)
Cash and cash equivalents at beginning of year	**33,867**	80,078
Effect of foreign exchange rate changes	**(887)**	2,486
CASH AND CASH EQUIVALENTS AT END OF YEAR	**4,407**	33,867
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances other than time deposits	**4,407**	33,867
Time deposits	**251**	251
Cash and cash equivalents as stated in the consolidated statement of financial position	**4,658**	34,118
Less: Time deposits with maturity of more than three months when acquired	**(251)**	(251)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**4,407**	33,867

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Suite No. 2802, 28th Floor, Prosperity Tower, 39 Queen's Road Central, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively the "Group") were principally engaged in provision of system integration and related support services, provision of IT infrastructure solutions and maintenance services, money lending and securities trading.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current and prior years except as stated below.

HKFRS 9 (2014) "Financial Instruments"

Available-for-sale financial assets are now classified as equity investments at fair value through other comprehensive income.

HKFRS 9 (2014) has been applied retrospectively and resulted in changes in the consolidated amount reported in the consolidated financial statements as follows:

	31 December 2017 HK$'000	1 January 2017 HK$'000
Consolidated statement of financial position		
Decrease in available-for-sale financial assets	**15,036**	1,000
Increase in equity investments at fair value through other comprehensive income	**15,036**	1,000

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2017 HK$'000	1 January 2017 HK$'000
Consolidated statement of financial position		
Decrease in gross amount due from customers for contract work	**195**	—
Decrease in gross amount due to customers for contract work	**1,660**	1,394
Decrease in other payables and accruals	**1,526**	2,146
Increase in contract assets	**195**	—
Increase in contract liabilities	**3,186**	3,540

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and investment properties which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the director to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in consolidated profit or loss for the period in which they arise.

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

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in consolidated other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates or useful live are as follows:

Land and building	50 years
Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Furniture, fixtures and equipment	18% — 30%
Motor vehicles	10% — 20%

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

Operating Leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Customer relationships

Customer relationships are stated at cost less any accumulated impairment losses and are amortised on the straight-line basis over their estimated useful life of 10 years. Impairment is reviewed annually or when there is any indication that the customer relationships have suffered an impairment loss.

Money lending license

Money lending license with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the money leading license has suffered an impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

— Financial assets at amortised cost;

— Equity investments at fair value through other comprehensive income; and

— Investments at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments *(Continued)*

Financial assets *(Continued)*

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

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

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group’s performance;

— the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Employee benefits

(a) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to consolidated profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organized by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to consolidated profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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 tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

Intangible assets that have an indefinite useful life are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, deferred tax assets, investment properties, investments, inventories and receivables 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 any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

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. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or 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 (net of amortisation or depreciation) 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 consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS

Key sources of estimation uncertainty

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, are discussed below.

(a) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(b) Fair value of investment

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investment in equity investments at fair value through other comprehensive income (the "equity investments"), details of which are set out in note 19 to the financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of the equity investments.

(c) Provision for impairment of trade, loan and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loan and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade, loan and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing for the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Income taxes

The Group is subject to income taxes in Hong Kong, the PRC and Japan. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Property, plant and equipment/other intangible assets and depreciation/amortisation

The Group determines the estimated useful lives, residual values and related depreciation/amortisation charges for the Group's property, plant and equipment/other intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment/other intangible assets of similar nature and functions. The Group will revise the depreciation/amortisation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(g) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred tax for investment properties

For the purposes of measuring deferred tax for 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 held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's investments at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2018, if the share prices of the investments increase/decrease by 10%, loss after tax for the year would have been HK$3,174,000 (2017: HK$5,175,000) lower/higher, arising as a result of the fair value gain/loss of the investments.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk

The carrying amount of the cash and bank balances, trade, loan and other receivables and investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales and loans are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparties are well-established securities broker firms and issuers in Hong Kong.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

— internal credit rating;

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

— actual or expected significant changes in the operating results of the borrower;

— significant increases in credit risk on other financial instruments of the same borrower;

— significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK\$'000	**Between 1 and 2 years HK\$'000**	**Between 2 and 5 years HK\$'000**	**Over 5 years HK\$'000**
At 31 December 2018				
Trade payables	**2,346**	**–**	**–**	**–**
Other payables and accruals	**86,156**	**–**	**–**	**–**
Bank and other loans	**25,961**	**11,084**	**20,555**	**–**
	114,463	**11,084**	**20,555**	**–**
At 31 December 2017				
Trade payables	7,563	—	—	—
Other payables and accruals	75,830	—	—	—
Bank and other loans	30,703	12,250	33,371	—
	114,096	12,250	33,371	—

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Interest rate risk

At 31 December 2018, the Group's bank deposits of approximately HK$251,000 (2017: approximately HK$251,000), bank and other loans of approximately HK$14,215,000 (2017: approximately HK$16,198,000) bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

At 31 December 2018, the Group's exposure to interest-rate risk arises from its bank deposits of approximately HK$4,407,000 (2017: approximately HK$33,867,000) and bank and other loans of approximately HK$38,706,000 (2017: approximately HK$52,723,000). These deposits and bank and other loans bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2018, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$190,000 (2017: approximately HK$252,000) lower (2017: lower), arising mainly as a result of lower interest expenses on bank loans. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$171,000 (2017: approximately HK$94,000) higher (2017: higher), arising mainly as a result of higher interest expenses on bank loans.

(f) Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000 (Restated)
Financial assets:		
Equity investments at fair value through other comprehensive income	**17,197**	15,036
Investments at fair value through profit or loss — Mandatorily measured	**38,012**	61,974
Financial assets at amortised cost (including bank and cash balances)	**181,247**	189,869
Financial liabilities:		
Financial liabilities at amortised costs	**141,423**	152,314

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy

	Fair value measurements using:			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2018				
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Listed equity securities in Hong Kong	**38,012**	**—**	**—**	**38,012**
Equity investments at fair value through other comprehensive income	**—**	**—**	**17,197**	**17,197**
Investment properties				
Commercial — PRC	**—**	**—**	**336,971**	**336,971**
Total recurring fair value measurement	**38,012**	**—**	**354,168**	**392,180**

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

(a) ***Disclosures of level in fair value hierarchy*** *(Continued)*

	Fair value measurements using:			
	Level 1 HK$'000 (Restated)	**Level 2 HK$'000 (Restated)**	**Level 3 HK$'000 (Restated)**	**Total HK$'000 (Restated)**
At 31 December 2017				
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Listed equity securities in Hong Kong	61,974	—	—	61,974
Equity investments at fair value through other comprehensive income	—	—	15,036	15,036
Investment properties				
Commercial — PRC	—	—	395,094	395,094
Total recurring fair value measurement	61,974	—	410,130	472,104

(b) ***Reconciliation of assets measured at fair value based on level 3:***

At 31 December 2018

Description	**Equity investments at fair value through other comprehensive income HK$'000**	**Investment properties HK$'000**	**Total HK$'000**
At beginning of year	**15,036**	**395,094**	**410,130**
Total gains/(losses) recognised in			
— consolidated profit or loss (#)	**—**	**(41,805)**	**(41,805)**
— other comprehensive income	**(689)**	**—**	**(689)**
Additions	**12,385**	**2,550**	**14,935**
Disposal	**(9,535)**	**—**	**(9,535)**
Exchange realignment	**—**	**(18,868)**	**(18,868)**
At end of year	**17,197**	**336,971**	**354,168**
(#) Include losses for assets held at end of reporting period	**—**	**(41,805)**	**(41,805)**

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3: *(Continued)*

At 31 December 2017

Description	Equity investments at fair value through other comprehensive income HK$'000 (Restated)	Investment properties HK$'000	Total HK$'000
At beginning of year	1,000	313,328	314,328
Total gains/(losses) recognised in			
— consolidated profit or loss (#)	—	—	—
— other comprehensive income	3,160	—	3,160
Additions	10,876	58,176	69,052
Exchange realignment	—	23,590	23,590
At end of year	15,036	395,094	410,130
(#) Include gains for assets held at end of reporting period	—	—	—

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: *(Continued)*

As at 31 December 2018

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investment properties	Direct comparison approach	Market price of office	RMB32,500 per square meter	Increase	336,971
		Market price of commercial	RMB37,500 per square meter	Increase	
		Market price of carpark	RMB200,000 per unit	Increase	
		Unexpended construction cost	RMB11,567,000	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	13%	Decrease	1,614
		Revenue growth rate	15-37%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	16.6%	Decrease	1,995
		Revenue growth rate	6-10%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Guideline publicly-traded comparable method	Price-to-book ratio	3.18	Increase	13,588
		Price-to-sales ratio	5.29	Increase	
		Price-to-earnings ratio	53.11	Increase	
		Marketability discount	21%	Decrease	

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: *(Continued)*

At 31 December 2017

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investment properties	Direct comparison approach	Market price of office	RMB36,000 per square meter	Increase	395,094
		Market price of commercial	RMB41,000 per square meter	Increase	
		Market price of carpark	RMB200,000 per unit	Increase	
		Unexpended construction cost	RMB9,146,000	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	12.3%	Decrease	9,535
		Revenue growth rate	6%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	14%	Decrease	1,341
		Revenue growth rate	17–323%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	16.3%	Decrease	4,160
		Revenue growth rate	1–6%	Increase	
		Marketability discount	21%	Decrease	

During the two years, there were no changes in the valuation techniques used.

6. OPERATING SEGMENT INFORMATION

The Group has four reportable segments as follows:

— the software development and system integration segment engages in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services;

— provision of IT infrastructure solutions and maintenance services ("IT solutions and maintenance");

— money lending; and

— Securities trading ("Securities investments").

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include bank interest income, investment income, finance costs as well as head office and corporate expenses. Segment assets do not include investment in associates and other unallocated head office and corporate assets. Segment liabilities do not include other loans, income tax payables and other unallocated head office and corporate liabilities.

6. OPERATING SEGMENT INFORMATION *(Continued)*

	Software development and system integration		IT solutions and maintenance		Money lending		Securities investments		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**685**	4,543	**36,948**	34,385	**14,033**	9,889	**–**	—	**51,666**	48,817
Segment (loss)/profit	**(1,746)**	(4,829)	**(8,644)**	(3,233)	**13,574**	9,534	**(19,328)**	1,467	**(16,144)**	2,939
Reconciliation:										
Bank interest income									**2**	8
Change in fair value of investment properties									**(41,805)**	—
Gain on disposal of subsidiaries									**11,662**	9,019
Gain on deregistration of subsidiaries									**–**	1,970
Share of results of associates									**–**	(309)
Loss on disposal of an associate									**–**	(7,154)
Unallocated gains									**66**	908
Corporate and other unallocated expenses									**(29,476)**	(119,593)
Finance costs									**(4,730)**	(5,071)
Loss before tax									**(80,425)**	(117,283)

6. OPERATING SEGMENT INFORMATION *(Continued)*

	Software development and system integration		IT solutions and maintenance		Money lending		Securities investments		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**–**	2,995	**19,740**	21,217	**127,932**	118,258	**38,387**	62,643	**186,059**	205,113
Reconciliation:										
Corporate and other unallocated assets									**406,904**	486,870
Total assets									**592,963**	691,983
Segment liabilities	**–**	(9,267)	**(7,601)**	(8,491)	**(285)**	—	**(14,215)**	(13,305)	**(22,101)**	(31,063)
Reconciliation:										
Corporate and other unallocated liabilities									**(124,383)**	(125,629)
Total liabilities									**(146,484)**	(156,692)
Other segment information:										
Depreciation on:										
Segment assets	**12**	—	**172**	189	**43**	40	**–**	—	**227**	229
Corporate and other unallocated assets									**1,104**	1,506
									1,331	1,735
Amortisation of other intangible assets on:										
Segment assets	**–**	—	**783**	783	**–**	—	**–**	—	**783**	783
Bank interest income#	**1**	1	**–**	1	**1**	—	**–**	—	**2**	2
Impairment loss on trade receivables	**–**	1,660	**62**	—	**–**	—	**–**	—	**62**	1,660
Income tax credit									**(1,913)**	(504)
Capital expenditure on:										
Segment assets									**297**	291
Corporate and other unallocated assets									**4,883**	59,115
									5,180	59,406

\# The amounts of bank interest income exclude non-operating segment.

6. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	Revenue		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**50,513**	43,146	**14,370**	23,172
PRC except Hong Kong	**1,153**	5,671	**338,553**	396,804
Japan	**—**	—	**—**	169
Consolidated total	**51,666**	48,817	**352,923**	420,145

In presenting the geographical information, revenue is based on the locations of the customers and information about the non-current assets, except equity investments at fair value through other comprehensive income, deferred tax assets, deposit and loan and other receivables classified in accordance with geographical location of the assets at the end of the reporting period.

Information about major customers

During the year ended 31 December 2018, the Group had transactions with one (2017: nil) external customers of the IT solutions and maintenance segment who each contributed over 10% of the Group's total revenue for the year. A summary of revenue earned from each of these major external customers is set out below:

	2018	2017
	HK$'000	HK$'000
Customer 1	**8,912**	—

7. REVENUE

The Group's revenue which represents (1) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; (2) an appropriate proportion of contract revenue from the provision of the technical support and maintenance services, net of business tax and government surcharges; (3) an appropriate proportion of contract revenue from the provision of software development and system integration services, net of value-added tax, business tax and government surcharges; and (4) loan interest income are as follows:

	2018	2017
	HK$'000	HK$'000
Sale of computer hardware and software	**24,532**	34,111
Provision of services	**13,101**	4,817
Revenue from contracts with customers	**37,633**	38,928
Loan interest income	**14,033**	9,889
Total revenue	**51,666**	48,817

Disaggregation of revenue from contracts with customers:

	2018	2017
Geographical markets		
Hong Kong	**36,480**	33,257
PRC except Hong Kong	**1,153**	5,671
Total	**37,633**	38,928
Major products/services		
Sale of computer hardware and software	**24,532**	34,111
Provision of software development and system integration services	**—**	505
Provision of technical support and maintenance services	**13,101**	4,312
Total	**37,633**	38,928
Timing of revenue recognition		
At a point in time	**24,532**	34,111
Over time	**13,101**	4,817
Total	**37,633**	38,928

7. REVENUE *(Continued)*

Sale of computer hardware and software

The Group sells computer hardware and software to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

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

Provision of services

The Group provides software development, system integration, technical support and maintenance services to the customers. When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

8. OTHER INCOME AND GAINS

	2018 HK$'000	2017 HK$'000
Dividend income	**160**	—
Gain on disposal of equity investments at fair value through other comprehensive income	**65**	—
Government grants	**—**	127
Waiver of other payables	**—**	661
Reversal of impairment loss on trade receivables	**—**	387
Foreign exchange differences, net	**588**	1
Others	**356**	1,355
	1,169	2,531

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK$'000	2017 HK$'000
Interest on other loans	**2,189**	1,997
Interest on bank loans	**2,541**	3,074
	4,730	5,071

10. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2018 **HK$'000**	2017 HK$'000
Cost of inventories sold	**26,204**	23,370
Cost of services provided	**4,908**	7,875
Depreciation	**1,331**	1,735
Amortisation of other intangible assets	**783**	783
Minimum lease payments under operating leases in respect of land and buildings	**5,441**	5,840
Auditors' remuneration	**620**	580
Employee benefit expense (including directors' remuneration — note 11):		
Salaries, allowances and benefits in kind	**23,876**	22,565
Pension schemes contribution	**1,241**	1,548
Equity-settled share-based payment	**—**	57,191
	25,117	81,304
Equity-settled share-based payment to consultants	**—**	24,651
Impairment loss on trade receivables	**62**	1,660
Impairment loss on other receivables	**—**	949
Written off of property, plant and equipment	**—**	3
Foreign exchange differences, net	**(588)**	(1)
Loss on disposal of property, plant and equipment	**—**	35
Reversal of impairment loss trade receivables	**—**	(387)

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

(a) Directors' emoluments

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension schemes contribution HK$'000	Total HK$'000
Year ended 31 December 2018					
Executive directors:					
Mr. Wong Kui Shing, Danny		**120**	**1,806**	**18**	**1,944**
Mr. Tse Chi Wai		**360**	**845**	**18**	**1,223**
Ms. Wu Jingjing	*(iii)*	**2**	**—**	**—**	**2**
Mr. Takashi Togo		**120**	**240**	**—**	**360**
Mr. Wong King Shiu, Daniel	*(i)*	**120**	**840**	**18**	**978**
Mr. Chan Kai Leung	*(i)*	**120**	**984**	**18**	**1,122**
		842	**4,715**	**72**	**5,629**
Non-Executive director:					
Mr. Wong Chi Yung		**120**	**240**	**12**	**372**
Independent non-executive directors:					
Dr. Chen Shengrong		**120**	**—**	**—**	**120**
Mr. Hung Hing Man		**120**	**—**	**—**	**120**
Mr. May Tai Keung, Nicholas	*(iv)*	**2**	**—**	**—**	**2**
Mr. Wong Hoi Kuen	*(ii)*	**120**	**—**	**—**	**120**
		362	**—**	**—**	**362**
Total		**1,324**	**4,955**	**84**	**6,363**

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension schemes contribution HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
Year ended 31 December 2017						
Executive directors:						
Mr. Wong Kui Shing, Danny		120	1,836	18	431	2,405
Mr. Tse Chi Wai		240	845	18	4,316	5,419
Ms. Wu Jingjing	*(iii)*	120	300	—	153	573
Mr. Takashi Togo		120	657	—	4,316	5,093
Mr. Wong King Shiu, Daniel	*(i)*	45	316	8	3,851	4,220
Mr. Chan Kai Leung	*(i)*	45	370	8	339	762
		690	4,324	52	13,406	18,472
Non-Executive director:						
Mr. Wong Chi Yung		120	240	12	2,498	2,870
Independent non-executive directors:						
Dr. Chen Shengrong		120	—	—	152	272
Mr. Hung Hing Man		120	—	—	152	272
Mr. May Tai Keung, Nicholas	*(iv)*	120	—	—	152	272
Mr. Wong Hoi Kuen	*(ii)*	45	—	—	136	181
		405	—	—	592	997
Total		1,215	4,564	64	16,496	22,339

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(i) Appointed as an executive director on 16 August 2017.

(ii) Appointed as an independent non-executive director on 16 August 2017.

(iii) Resigned as an executive director on 5 January 2018.

(iv) Resigned as an independent non-executive director on 5 January 2018.

During the year, no emoluments were paid by the Group to any of the directors of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included four (2017: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2017: three) individuals are set out below:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**924**	1,502
Pension schemes contribution	**18**	43
Equity settled share-based payment	**—**	12,947
	942	14,492

Their emoluments were within the following band:

	Number of individuals	
	2018	2017
HK$Nil — HK$1,000,000	**1**	—
HK$4,000,001 — HK$4,500,000	**—**	1
HK$5,000,001 — HK$5,500,000	**—**	2

During the year, no emoluments were paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX CREDIT

	2018	2017
	HK$'000	HK$'000
Current tax — Hong Kong	**45**	—
Overprovision in prior years	**(531)**	—
Deferred tax credit *(note 21)*	**(1,427)**	(504)
	(1,913)	(504)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2018 (2017: 16.5%).

No provision for PRC corporate income tax is required since the Group has no assessable profit for the year ended 31 December 2018 (2017: Nil).

No provision for Japan corporate income tax for the year ended 31 December 2018 (2017: Nil) since the Group did not generate any assessable profits arising in Japan during the year. Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The reconciliation between the income tax expenses and the product of loss before tax multiplied by tax rates applicable to profit or loss in the respective countries is as follows:

	2018	2017
	HK$'000	HK$'000
Loss before tax	**(80,425)**	(117,283)
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	**(18,224)**	(19,210)
Tax effect of income that is not taxable	**(1,999)**	(4,463)
Tax effect of expenses that are not deductible	**3,024**	16,590
Tax effect of temporary differences not recognised	**9,648**	22
Tax effect of tax losses not recognised	**6,532**	6,607
Tax effect of utilisation of tax losses not previously recognised	**(318)**	—
Tax effect of share of results of associates	**—**	(50)
Income tax on concessionary rate *(note)*	**(45)**	—
Overprovision in prior years	**(531)**	—
Tax credit for the year	**(1,913)**	(504)

Note: For the year of assessment 2018/19, a two-tiered profits tax rate was introduced of which one subsidiary of the Group can elect 8.25% tax rate for its first assessable profits of HK$2,000,000.

13. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2018 and 2017.

14. LOSS PER SHARE

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

	2018 **HK$'000**	2017 HK$'000
Loss for the year attributable to owners of the Company	**75,531**	112,456

	2018	2017
Weighted average number of ordinary shares for basic and diluted loss per share	**5,712,151,908**	5,712,151,908

The diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in an anti-dilutive effect on loss per share for the years ended 31 December 2018 and 2017.

15. INVESTMENT PROPERTIES

	2018 **HK$'000**	2017 HK$'000
At 1 January	**395,094**	313,328
Additions	**2,550**	58,176
Fair value loss	**(41,805)**	—
Exchange differences	**(18,868)**	23,590
At 31 December	**336,971**	395,094

Investment properties were revalued at 31 December 2018 and 2017 on the open market value basis by reference to market evidence of recent transactions for similar properties by Roma Appraisals Limited, an independent firm of chartered surveyors.

At 31 December 2018, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to approximately HK$38,706,000 (2017: approximately HK$51,033,000).

16. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST:					
At 1 January 2017	9,156	1,857	4,598	4,447	20,058
Exchange realignment	—	45	266	172	483
Additions	—	296	934	—	1,230
Disposal	—	—	(69)	—	(69)
Written off	—	(15)	(6)	—	(21)
Disposal of subsidiaries	—	—	(449)	(2,875)	(3,324)
At 31 December 2017 and 1 January 2018	**9,156**	**2,183**	**5,274**	**1,744**	**18,357**
Exchange realignment	**—**	**27**	**128**	**(24)**	**131**
Additions	**—**	**—**	**342**	**2,288**	**2,630**
Disposal of subsidiaries	**(9,156)**	**(1,449)**	**(3,801)**	**—**	**(14,406)**
At 31 December 2018	**—**	**761**	**1,943**	**4,008**	**6,712**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS:					
At 1 January 2017	198	681	3,607	2,527	7,013
Exchange realignment	—	45	255	117	417
Provided during the year	183	403	358	791	1,735
Eliminated on disposals	—	—	(26)	—	(26)
Written off	—	(13)	(5)	—	(18)
Disposal of subsidiaries	—	—	(400)	(2,748)	(3,148)
At 31 December 2017 and 1 January 2018	**381**	**1,116**	**3,789**	**687**	**5,973**
Exchange realignment	**—**	**27**	**136**	**(12)**	**151**
Provided during the year	**16**	**317**	**390**	**608**	**1,331**
Disposal of subsidiaries	**(397)**	**(877)**	**(3,653)**	**—**	**(4,927)**
At 31 December 2018	**—**	**583**	**662**	**1,283**	**2,528**
CARRYING AMOUNTS:					
At 31 December 2018	**—**	**178**	**1,281**	**2,725**	**4,184**
At 31 December 2017	8,775	1,067	1,485	1,057	12,384

Note: The land and building are situated in Hong Kong.

17. GOODWILL

	2018 HK$'000	2017 HK$'000
Cost		
At 1 January and 31 December	**3,865**	3,865
Carrying amount:		
At 31 December	**3,865**	3,865

The carrying amount of goodwill had been allocated as follows:	2018 HK$'000	2017 HK$'000
IT solutions and maintenance	**3,865**	3,865

The recoverable amount of this CGU is determined by reference to the value-in-use approach, which is based on discounted cash flow based on the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 16.22% (2017: approximately 17.29%) that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-year period have been extrapolated using a steady 3% (2017: 2%) annual growth rate.

18. OTHER INTANGIBLE ASSETS

	Customer relationships HK$'000 *(note (a))*	Money lending licence HK$'000 *(note (b))*	Total HK$'000
COST:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	7,828	440	8,268
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS:			
At 1 January 2017	—	—	—
Provided during the year	783	—	783
At 31 December 2017	783	—	783
Provided during the year	783	—	783
At 31 December 2018	1,566	—	1,566
CARRYING AMOUNTS:			
At 31 December 2018	**6,262**	**440**	**6,702**
At 31 December 2017	7,045	440	7,485

Notes:

(a) The customer relationship arose from the acquisition of 84% equity interest in Macro China Holding Limited. The average remaining amortization period of the customer relationship is 8 years (2017: 9 years).

(b) The Group's money lending license of HK$440,000 (2017: HK$440,000) at 31 December 2018 is assessed as having indefinite useful life because the Group can renew the money lending license without substantial costs.

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018	2017
	HK$'000	HK$'000
		(Restated)
Unlisted equity investments, at fair value	**17,197**	15,036

The unlisted equity investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

(a) As at 31 December 2018 and 2017, the Group had 19% equity interest in Quality Partner Enterprises Limited ("Quality Partner"), which wholly-owned a licensed company specializing in corporate finance advisory services and a secretarial services company. As at 31 December 2018, Quality Partner was measured at fair value of approximately HK$1,995,000 (2017: approximately HK$4,160,000).

(b) As at 31 December 2018 and 2017, the Group owns 16.67% equity interests of FULLPAY K.K. (FULLPAY 株式會社) ("Fullpay"). As at 31 December 2018, it was measured at fair value of approximately HK$1,614,000 (2017: approximately HK$1,341,000). Fullpay is principally engaged in sourcing and provision of electronic fund transfer at point of sale (EFT-POS) terminals and peripheral devices which support WeChat Pay, as well as the provision of relevant EFT-POS installation and system support services, to vendors in Japan.

(c) On 30 November 2017, the Group disposed 21% equity interest of Faithful Asia. The Group's equity interest in Faithful Asia changed from 40% to 19%, which was reclassified from an associate to an equity investments at fair value through other comprehensive income. As at 31 December 2017, it was measured at fair value of approximately HK$9,535,000. Faithful Asia involved in business intelligence, big data, facilities management, financial solutions consulting and implementation.

The remaining 19% equity interest of Faithful Asia with carrying value of HK$9,535,000 was disposed on 31 December 2018 at a consideration of HK$9,600,000.

(d) On 8 February 2018, the Group acquired 10% equity interest of Guangzhou Desheng Cloud Computing Technology Co., Ltd. (廣州德昇雲計算科技有限公司) ("Desheng Cloud"), which is incorporated in the PRC, at a consideration of RMB10,000,000 (equivalent to approximately HK$12,385,000). The principal activities of it is provision of data racks services. As at 31 December 2018, it was measured at fair value of approximately HK$13,588,000.

As at 31 December 2018, the carrying amount of approximately HK$13,588,000 of equity investments in Desheng Cloud pledged as security to obtain the bank facilities of Desheng Cloud amounted to approximately RMB171,430,000.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Prepayments		**1,372**	2,991
Deposits and other receivables	*(a)*	**46,007**	42,096
		47,379	45,087
Impairment	*(b)*	**—**	(1,273)
		47,379	43,814
Analysed as:			
Non-current portion			
Prepayments		**1,201**	1,317
Deposits and other receivables		**367**	884
		1,568	2,201
Current portion			
Prepayments		**171**	1,674
Deposits and other receivables	*(a)*	**45,640**	39,939
		45,811	41,613
		47,379	43,814

Note:

(a) As at 31 December 2018, included in the other receivables of approximately HK$44,250,000 (2017: HK$39,050,000) is receivables from the purchasers of Faithful Asia. Up to the approval date of the consolidated financial statements approximately HK$13,950,000 were settled.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(b) The movements in the provision for impairment of prepayments, deposits and other receivables during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**1,273**	2,624
Provided during the year	**—**	949
Disposal of subsidiaries	**(1,326)**	(2,537)
Exchange realignment	**53**	237
At 31 December	**—**	1,273

The above provision for impairment of prepayments, deposits and other receivables is the provision for individually impaired prepayments, deposits and other receivables. The Group and the Company do not hold any collateral or other credit enhancements over these balances.

21. DEFERRED TAX

The following are the major deferred tax assets/(liabilities) recognised by the Group:

	Change in fair value of investment properties HK$'000	**Other intangible assets HK$'000**	**Tax losses HK$'000**	**Total HK$'000**
At 1 January 2017	(661)	(1,292)	3,174	1,221
Credited to consolidated profit or loss	—	129	375	504
At 31 December 2017 and 1 January 2018	**(661)**	**(1,163)**	**3,549**	**1,725**
Credited to consolidated profit or loss	**688**	**129**	**610**	**1,427**
Exchange difference	**(27)**	**—**	**—**	**(27)**
At 31 December 2018	**—**	**(1,034)**	**4,159**	**3,125**

21. DEFERRED TAX *(Continued)*

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2018 **HK$'000**	2017 HK$'000
Deferred tax liabilities	**—**	(661)
Deferred tax assets	**3,125**	2,386
	3,125	1,725

The Group has tax losses arising in Hong Kong of approximately HK$116,724,000 (2017: approximately HK$87,829,000) that are available indefinitely, in Mainland China of approximately HK$15,303,000 (2017: approximately HK$59,011,000) that are available for a maximum of five years, and in Japan of HK$nil (2017: approximately HK$4,527,000) that are available for a maximum of nine years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses of approximately HK$106,825,000 as they have arisen in certain subsidiaries that have been loss-making for some time and it is considered not probable that taxable profits will be available against which tax losses can be utilised.

At the end of the reporting period, there is no temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised (2017: HK$nil).

22. LOAN RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Loan receivables	**127,366**	111,750
Analysed as:		
Non-current assets	**10,000**	—
Current assets	**117,366**	111,750
	127,366	111,750

Notes:

(a) As at 31 December 2018, loan receivables of approximately HK$20,000,000 (2017: approximately HK$3,583,000) are guaranteed by an independent third party.

(b) As at 31 December 2018, loan receivables of approximately HK$86,000 and HK$127,280,000 carried at fixed effective interest at 9% and 12% per annum respectively and with the terms ranging from 9 months to 3 years. As at 31 December 2017, loan receivables of approximately HK$13,286,000 and HK$98,464,000 carried at fixed effective interest at 9% and 12% per annum and with the terms ranging from 2 months to 2 years.

22. LOAN RECEIVABLES *(Continued)*

Notes: (Continued)

(c) The directors of the Company monitored the collectability of the loan receivables closely with reference to their respective current creditworthiness and repayment records. The management believes that no impairment allowance is necessary in respect of these receivables as they are considered fully recoverable. Upon its original maturity and up to the approval date of the consolidated financial statements, approximately HK$52,246,000 were fully settled.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all loan receivables. To measure the expected credit losses, loan receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

23. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Finished goods and merchandises	**274**	704

24. TRADE RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**3,278**	8,481
Impairment	**(62)**	(5,303)
	3,216	3,178

Notes:

(a) The Group has granted credit terms to its customers within 30 to 90 days (2017: ranging from 30 to 90 days). The Group seeks to maintain strict control over its outstanding balances by imposing 2% (2017: 2%) monthly interest charge upon them and requesting payment in advances from certain customers. Overdue balances are reviewed by the directors. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

24. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(b) The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 1 month	**3,041**	1,252
1 to 2 months	**124**	295
2 to 3 months	**8**	—
Over 3 months	**43**	1,631
	3,216	3,178

(c) The movements in the provision for impairment of trade receivables during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**5,303**	4,849
Impairment during the year recognised in consolidated profit or loss	**62**	1,660
Amount written off as uncollectible	**–**	(1,236)
Reversal of impairment loss	**–**	(387)
Disposal of subsidiaries	**(5,524)**	—
Exchange realignment	**221**	417
At 31 December	**62**	5,303

The above provision for impairment of trade receivables is the provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

24. TRADE RECEIVABLES *(Continued)*

	Neither past due nor impaired	Less than 1 month past due	1 to 3 months past due	Over 3 months to 1 year past due	Over 1 year past due	Total
At 31 December 2018						
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**100%**	**2%**
Receivable amount (HK$'000)	**3,036**	**128**	**23**	**29**	**62**	**3,278**
Loss allowance (HK$'000)	**—**	**—**	**—**	**—**	**62**	**62**
At 31 December 2017						
Weighted average expected loss rate	0%	0%	0%	0%	91%	63%
Receivable amount (HK$'000)	1,252	120	187	1,126	5,796	8,481
Loss allowance (HK$'000)	—	—	—	—	5,303	5,303

25. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000 (Restated)	As at 1 January 2017 HK$'000 (Restated)
Contract assets — provision of technical support and maintenance services	**14**	195	—
Contract liabilities — sale of computer hardware and software	**1,061**	93	860
Contract liabilities — provision of technical support and maintenance services	**3,955**	3,093	2,680
Total contract liabilities	**5,016**	3,186	3,540
Contract receivables (included in trade receivables)	**3,216**	3,178	5,092

25. CONTRACT ASSETS AND LIABILITIES *(Continued)*

Disclosures of revenue-related items: *(Continued)*

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000 (Restated)
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:		
— 2018	**—**	3,167
— 2019	**5,956**	250
— 2020	**32**	32
	5,988	3,449

Year ended 31 December	**2018 HK$'000**	2017 HK$'000 (Restated)
Revenue recognised in the year that was included in contract liabilities at beginning of year	**3,167**	3,540

Significant changes in contract assets and contract liabilities during the year:

	2018 Contract assets HK$'000	**2018 Contract liabilities HK$'000**	2017 Contract assets HK$'000 (Restated)	2017 Contract liabilities HK$'000 (Restated)
Increase due to operations in the year	**35**	**39,463**	747	38,574
Transfer of contract assets to receivables	**(216)**	**—**	(552)	—
Transfer of contract liabilities to revenue	**—**	**(37,633)**	—	(38,928)

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer.

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

26. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Equity securities listed in Hong Kong, at fair value	**38,012**	61,974

The investments included above as at 31 December 2018 and 2017 represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of the listed equity securities are determined based on the quoted market prices.

27. BANK AND CASH BALANCES

	2018 HK$'000	2017 HK$'000
Cash and bank balances other than time deposits	**4,407**	33,867
Time deposits	**251**	251
	4,658	34,118

Notes:

(a) As at 31 December 2018, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$784,000 (2017: approximately HK$3,325,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

(b) Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

28. TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 month	**773**	1,673
1 to 2 months	**397**	2,257
2 to 3 months	**1,176**	335
Over 3 months	**—**	3,298
	2,346	7,563

29. OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	HK$'000
		(Restated)
Accruals	**4,486**	13,535
Other payables	**81,670**	62,295
	86,156	75,830

At 31 December 2018, other payables of HK$1,000,000 (2017: HK$nil) is due to a director, Mr. Wong King Shiu, Daniel.

30. BANK AND OTHER LOANS

	Notes	2018 HK$'000	2017 HK$'000
Bank loans:			
Mortgage loan	*(i)*	**38,706**	51,033
Other loans:			
Loan from a company controlled by former management of a subsidiary	*(ii)*	**–**	744
Loan from a management of a subsidiary	*(ii)*	**–**	1,251
Loan from a shareholder of a subsidiary	*(iii)*	**–**	1,387
Margin loans	*(iv)*	**14,215**	13,305
Loan secured by shares of a subsidiary	*(v)*	**–**	1,201
		14,215	17,888
		52,921	68,921

Notes:

(i) The mortgage loan has terms of 10 years until 2022 with a repayable on demand clause exercisable by a bank. The average interest rate was 5.39% (2017: 5.39%).

The mortgage loan is secured by a charge over the Group's investment properties with fair value of approximately HK$336,971,000 (2017: approximately HK$395,094,000), and personal guarantee by former shareholders of a subsidiary.

(ii) As at 31 December 2017, the loans from a company controlled by former management of a subsidiary and a management of a subsidiary were unsecured, interest bearing at 10% per annum on the unpaid principal and repayable on demand.

(iii) Loan from a shareholder of a subsidiary was unsecured, interest bearing at 0.5% per annum and repayable on 30 September 2018.

(iv) As at 31 December 2018, the margin loans are secured by the Group's equity securities listed in Hong Kong with fair value of approximately HK$25,450,000 (2017: approximately HK$37,219,000) and repayable on demand. As at 31 December 2018, included in the loans of approximately HK$14,215,000 (2017: approximately HK$11,615,000) and HK$nil (2017: approximately HK$1,690,000) are charged at a fixed interest rate of 8.375% (2017: 11%) per annum and at nil% (2017: 3% per annum over the Hong Kong prime rate) respectively.

(v) Loan secured by shares of a subsidiary was interest bearing at 6% per annum and repayable on 31 March 2018.

31. SHARE CAPITAL

	Note	Number of shares 2018	2017	Share capital 2018 HK$'000	2017 HK$'000
Authorised:					
Ordinary shares of HK$0.10 (2017: HK$0.10) each					
At the beginning of the year		**12,000,000,000**	8,000,000,000	**1,200,000**	800,000
Increase in authorised share capital	*(a)*	**–**	4,000,000,000	**–**	400,000
At the end of the year		**12,000,000,000**	12,000,000,000	**1,200,000**	1,200,000

	Note	Number of shares 2018	2017	Share capital 2018 HK$'000	2017 HK$'000
Issued and fully paid:					
Ordinary shares of HK$0.10 (2017: HK$0.10) each					
At the beginning and at the end of the year		**5,712,151,908**	5,712,151,908	**571,215**	571,215

Notes:

(a) By an ordinary resolution passed on 30 June 2017, the authorised ordinary share capital of the Company was increased from HK$800,000,000 to HK$1,200,000,000 by the creation of 4,000,000,000 shares of HK$0.10 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves) and includes some forms of subordinated debts.

32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive and non-executive directors, full-time employees of the Group, advisers and consultants of the Group. The Scheme became effective on 3 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and yet to be granted under the Scheme is currently limited to 30% of the shares of the Company in issue at any time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in the Scheme in any 12-month period up to the date of the grant is limited to 1% of the aggregate number of issued shares of the Company at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors at their discretion, and commences on the date upon which the options are deemed to be granted and accepted.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

Date of grant	**Vesting period**	**Exercise period**	**Exercise price** HK$
11 April 2017	11 April 2017	11 April 2017–10 April 2027	0.153
27 September 2017	27 September 2017	27 September 2017–26 September 2027	0.130

32. SHARE OPTION SCHEME *(Continued)*

For options granted on 11 April 2017 and 27 September 2017, if the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**1,140,912,000**	**0.1415**	320,448,000	0.185
Granted during the year	**–**	**–**	1,142,400,000	0.1415
Expired during the year	**–**	**–**	(320,448,000)	0.185
Forfeited during the year	**(6,504,000)**	**0.1477**	(1,488,000)	0.1415
Outstanding at the end of the year	**1,134,408,000**	**0.1414**	1,140,912,000	0.1415

The estimated fair values of the options granted on 11 April 2017 and 27 September 2017 are approximately HK$43,246,000 and HK$38,596,000 respectively.

These fair values were calculated using Binominal pricing model. The inputs into the model are as follows:

	27 September 2017	**11 April 2017**
Share price at the date of grant	**HK$0.129**	**HK$0.145**
Exercise price	**HK$0.130**	**HK$0.153**
Expected volatility	**78.84%**	**78.96%**
Expected life	**10 years**	**10 years**
Risk free rate	**1.56%**	**1.48%**
Expected dividend yield	**0%**	**0%**
Expected Early Exercise Multiple	**2.2**	**2.2**

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December 2018 HK$'000	At 31 December 2017 HK$'000 (Restated)	At 1 January 2017 HK$'000 (Restated)
NON-CURRENT ASSETS			
Investments in subsidiaries	**—**	1,498	1,338
Equity investments at fair value through other comprehensive income	**1,614**	1,341	—
Total non-current assets	**1,614**	2,839	1,338
CURRENT ASSETS			
Due from subsidiaries	**270,214**	285,696	320,555
Loan receivables	**86**	13,285	22,910
Prepayments, deposits and other receivables	**360**	283	285
Cash and bank balances	**1,203**	20,161	26,112
Total current assets	**271,863**	319,425	369,862
CURRENT LIABILITIES			
Other payables and accruals	**5,846**	1,823	1,465
Current tax liabilities	**—**	531	531
Total current liabilities	**5,846**	2,354	1,996
NET CURRENT ASSETS	**266,017**	317,071	367,866
NET ASSETS	**267,631**	319,910	369,204
CAPITAL AND RESERVES			
Share capital	**571,215**	571,215	571,215
Reserves	**(303,584)**	(251,305)	(202,011)
TOTAL EQUITY	**267,631**	319,910	369,204

34. RESERVES

(a) Group

(i) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(ii) Share premium account

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

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

(iv) The PRC reserve funds

The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries. None of the Group's PRC reserve funds as at 31 December 2018 and 2017 were distributable in the form of cash dividends.

(v) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

34. RESERVES *(Continued)*

(b) Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	107,108	19,625	(328,744)	(202,011)
Loss for the year and total comprehensive loss for the year	—	—	(131,136)	(131,136)
Lapsed of share option	—	(19,625)	19,625	—
Equity-settled share-based payment expenses	—	81,842	—	81,842
At 31 December 2017 and 1 January 2018	**107,108**	**81,842**	**(440,255)**	**(251,305)**
Loss for the year and total comprehensive loss for the year	**—**	**—**	**(52,279)**	**(52,279)**
Lapsed of share option	**—**	**(592)**	**592**	**—**
At 31 December 2018	**107,108**	**81,250**	**(491,942)**	**(303,584)**

35. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2018 are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of ownership interest	Principal activities
China Information Technology Development (Hong Kong) Limited	Hong Kong	HK$100	100%	Office management
Macro Systems Limited	Hong Kong	HK$1,050,000	84%	Provision of system integration and maintenance services in Hong Kong
Macro Systems (Guangzhou) Co., Ltd.	PRC	HK$1,300,000	84%	Provision of system integration and maintenance services in the PRC
DataCube Research Centre Limited	Hong Kong	HK$1	100%	Big data application
Guangzhou Xinfeng Investment Consultancy Company Limited	PRC	HK$101,400,000	100%	Assets acquisition, management and consultancy services
Global Shine Investment Limited	Hong Kong	HK$1	100%	Securities trading
Value Creation Finance Limited	Hong Kong	HK$10,000	100%	Money lending
Guangzhou Deyong Technology Investment Co., Ltd.	PRC	*	100%	Investment holding

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

* The amount of registered capital is RMB10 million and it is not yet injected.

36. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Rosy Beauty Investments Limited ("Rosy Beauty")

On 9 January 2018, the Group disposed the 100% equity interest in Rosy Beauty.

Net assets at the date of disposal were as follows:

	HK$'000
Deposits	2
Land and building	9,323
	9,325
Gain on disposal of subsidiaries	675
Satisfied by cash	10,000
Net cash inflow arising on disposal:	
Cash consideration received	10,000

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of Pantosoft International Limited ("Pantosoft")

On 25 May 2018, the Company entered into a sale and purchase agreement (the "Disposal") with Madam Wang Jian Mei to dispose 90% equity interest of Pantosoft at a consideration of HK$5,000,000.

The Disposal was completed on 5 June 2018. Upon completion of the Disposal, Pantosoft ceased to be subsidiaries of the Company and their results, assets and liabilities and cash flows ceased to be consolidated to that of the Group since then. A gain on disposal of HK$9,255,000 was recognised upon the completion, being calculated as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	**12**
Inventories	**162**
Trade receivables	**1,098**
Prepayments, deposits and other receivables	**2,224**
Cash and bank balances	**287**
Trade payables	**(3,527)**
Other payables and accruals	**(2,792)**
Other loans	**(2,079)**
Non-controlling interests	**3,232**
	(1,383)
Exchange fluctuation reserve realised	**(2,872)**
Gain on disposal of subsidiaries	**9,255**
Satisfied by cash	**5,000**
Net cash inflow arising on disposal:	
Cash consideration received	**5,000**
Cash and cash equivalents disposed of	**(287)**
	4,713

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) Disposal of China Information Technology Development Japan K.K. ("CITDJ")

On 31 August 2018, the Group disposed the 35% equity interest in CITDJ.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	**144**
Inventories	**179**
Prepayments, deposits and other receivables	**1,575**
Accruals and other payables	**(4,859)**
Other loans	**(1,377)**
Non-controlling interests	**2,820**
Net liabilities disposed of	**(1,518)**
Release of foreign currency translation reserve	**(114)**
Gain on disposal of a subsidiary	**1,732**
Total consideration — satisfied by cash	**100**
Net cash inflow arising on disposal:	
Cash consideration receivable	**100**

37. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Bank and other loans HK$'000	**Total liabilities from financing activities HK$'000**
At 1 January 2017	81,435	81,435
Changes in cash flows	(16,932)	(16,932)
Non-cash changes		
— exchange differences	4,418	4,418
At 31 December 2017 and 1 January 2018	**68,921**	**68,921**
Changes in cash flows	**(10,017)**	**(10,017)**
Non-cash changes		
— disposal of subsidiaries	**(3,456)**	**(3,456)**
— exchange differences	**(2,527)**	**(2,527)**
At 31 December 2018	**52,921**	**52,921**

38. OPERATING LEASE COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**3,503**	4,914
In the second to fifth year inclusive	**554**	2,074
	4,057	6,988

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years (2017: two years) and rentals are fixed over the lease terms and do not include contingent rentals.

39. EVENTS AFTER REPORTING PERIOD

On 15 January 2019, the Company entered into the non-legally binding memorandum of understanding (the"MOU") with an independent third party in relation to the possible acquisition of certain land and buildings with a data centre located in Nansha District, Guangzhou, the People's Republic of China. The Company paid a refundable deposit of RMB20,000,000 in cash to the independent third party upon signing of the MOU.

40. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2019.

Five Year Financial Summary

31 December 2018

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published annual report and audited financial statements is set out below:

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**51,666**	48,817	14,221	27,793	23,097
Loss before tax from continuing operations	**(80,425)**	(117,283)	(49,354)	(105,155)	(11,615)
Income tax credit/(expenses)	**1,913**	504	(661)	(531)	—
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(78,512)**	(116,779)	(50,015)	(105,686)	(11,615)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**—**	—	—	—	12,976
(Loss)/profit for the year	**(78,512)**	(116,779)	(50,015)	(105,686)	1,361
Attributable to:					
Owners of the Company	**(75,531)**	(112,456)	(48,143)	(105,462)	1,049
Non-controlling interests	**(2,981)**	(4,323)	(1,872)	(224)	312
	(78,512)	(116,779)	(50,015)	(105,686)	1,361

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**592,963**	691,983	685,940	379,124	319,909
TOTAL LIABILITIES	**(146,484)**	(156,692)	(139,603)	(20,409)	(16,941)
NET ASSETS	**446,479**	535,291	546,337	358,715	302,968
Equity attributable to:					
Owners of the Company	**477,187**	539,071	547,216	360,021	304,038
Non-controlling interests	**(708)**	(3,780)	(879)	(1,306)	(1,070)
	446,479	535,291	546,337	358,715	302,968

Particulars of Property Interests

Particulars of property interests held by the Group as at 31 December 2018 are as follows:

Location	Tenure	Attributable interest of the Group
Investment properties		
A composite building situated in No. 123 Lu Jing Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	Medium	100%