GLOBAL TOKEN LIMITED

(continued in Bermuda with limited liability)
Stock Code: 8192

2018 Annual Report

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Contents

Group Financial Summary

	Year ended 31 December				
	2018 **HK$'000**	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
RESULTS					
Continuing operations					
Revenue	**180,827**	193,460	276,371	247,709	210,147
Loss before taxation	**(154,525)**	(57,634)	(71,798)	(105,008)	(24,318)
Taxation	**(92)**	–	–	–	(8)
Loss for the year from continuing operations	**(154,617)**	(57,634)	(71,798)	(105,008)	(24,326)
Loss for the year from discontinued operations	**–**	–	(13,762)	(8,571)	–
Loss for the year	**(154,617)**	(57,634)	(85,560)	(113,579)	(24,326)
Loss for the year attributable to:					
Owners of the Company	**(139,188)**	(51,192)	(75,054)	(105,974)	(22,930)
Non-controlling interests	**(15,429)**	(6,442)	(10,506)	(7,605)	(1,396)
	(154,617)	(57,634)	(85,560)	(113,579)	(24,326)

	As at 31 December				
	2018 **HK$'000**	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES					
Total assets	**225,265**	380,041	305,124	355,630	295,511
Total liabilities	**(19,606)**	(22,483)	(41,437)	(13,693)	(16,206)
Net assets	**205,659**	357,558	263,687	341,937	279,305

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chen Ping *(Chairman)*
Ms. Ma Jian Ying *(CO-Chief Executive Officer)*
Ms. Xie Bin *(CO-Chief Executive Officer)*
(appointed on 18 April 2019)
Mr. Tsang Chun Kit Terence
Mr. Wang An Zhong

NON-EXECUTIVE DIRECTORS

Mr. Shi Guang Rong
Mr. Hsu Bin Chun *(resigned on 25 May 2018)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wah
Ms. Sun Ching *(resigned on 31 December 2018)*
Ms. Wong Mei Ling
Mr. Qin Hui *(appointed on 29 March 2019)*

COMPANY SECRETARY

Mr. Choi Wing Koon (resigned on 17 January 2018)
Mr. Leung Wai Tsan Wilson *(appointed on 1 February 2018 and resigned on 7 September 2018)*
Mr. Lee Kin Chung Jacky
(appointed on 7 September 2018)

AUDIT COMMITTEE

Mr. Leung Wah *(Chairman)*
Ms. Sun Ching *(resigned on 31 December 2018)*
Ms. Wong Mei Ling
Mr. Qin Hui *(appointed on 29 March 2019)*

NOMINATION COMMITTEE

Mr. Leung Wah *(Chairman)*
Ms. Sun Ching *(resigned on 31 December 2018)*
Ms. Ma Jian Ying
Mr. Qin Hui *(appointed on 29 March 2019)*

REMUNERATION COMMITTEE

Mr. Leung Wah *(Chairman)*
Ms. Sun Ching *(resigned on 31 December 2018)*
Ms. Ma Jian Ying
Mr. Qin Hui *(appointed on 29 March 2019)*

CORPORATE GOVERNANCE COMMITTEE

Mr. Leung Wah *(Chairman)*
Ms. Sun Ching *(resigned on 31 December 2018)*
Ms. Ma Jian Ying
Mr. Qin Hui *(appointed on 29 March 2019)*

COMPLIANCE OFFICER

Ms. Ma Jian Ying *(CO-Chief Executive Officer)*

AUTHORISED REPRESENTATIVES

Ms. Ma Jian Ying *(CO-Chief Executive Officer)*
Mr. Choi Wing Koon *(resigned on 17 January 2018)*
Mr. Tsang Chun Kit Terence
(resigned on 1 February 2018)
Mr. Leung Wai Tsan Wilson *(appointed on 1 February 2018 and resigned on 7 September 2018)*
Mr. Lee Kin Chung Jacky
(appointed on 7 September 2018)

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower,
The Landmark, 11 Pedder Street,
Central, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3008–10, 30th Floor, Tower 6,
The Gateway, Harbour City,
9 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

COMPANY HOMEPAGE

www.8192.com.hk

GEM STOCK CODE

8192

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board" or the "Directors") of Global Token Limited (the "Company"), I herein present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

BUSINESS OVERVIEW

Rental of Energy-saving Air-conditioners

The Group recorded approximately HK$3,379,000 of revenue from the rental of energy-saving air-conditioners business, representing a decrease of 29.6% compared with last fiscal year of approximately HK$4,798,000. The reduction in usage rate of air-conditioners are caused by the increased rainfall in the peak season from May to October in the past year. Due to the economic slowdown in mainland China, the rental income of air-conditioners are declined as a whole.

Loss of this segment increased by 42.9% from approximately HK$12,135,000 for the year ended 31 December 2017 to HK$17,336,000 for the year ended 31 December 2018, mainly caused by the increase on impairment loss on other receivables and the impairment loss on fixed assets as a result of the under performance of the segment.

Trading Business

The revenue from trading business continues to be a major revenue of the group amounted to approximately HK$163,951,000, representing a decrease of 10.1% compared with last fiscal year of approximately HK$182,465,000. The decrease was attributed by the economic uncertainties posed by the trade war and other unfavourable factors such as the slow-down in the economic development in mainland China. Segment profit decreased by 53.8% from approximately HK$5,581,000 for the year ended 31 December 2017 to the approximately HK$2,577,000 for the year ended 31 December 2018, as a result of the drop on gross profit margin which is violated with the Sino-US trade war to the trading business as a whole during the year. In view of the further economic slowdown in mainland China and persistent volatility from the Sino-US trade war, the Group continued the prudent manner to assess the credit risk when expanding its customer base and product mix.

Further, the management of the Group will continuously places significant effort in sourcing potential customers for trading of electronic products. In view of the Group has demonstrated its ability to source the latest model of electronic product timely with favourable terms from its suppliers, the management of the Group anticipated that the Group will be able to expand its customer base and successfully obtain recurring sales contracts with existing customers for the years ending 31 December 2019 and 2020.

Operations of Carbon Emission Trading Platform and Related Services

The Group has no revenue from the operations of carbon emission trading platform (the "Operations of the CETP") for the year ended 31 December 2018 and 2017. Loss of this segment decreased by 96.1% from approximately HK$33,515,000 for the year ended 31 December 2017 to HK$1,300,000 for the year ended 31 December 2018.

The project of 中國內蒙古森工集團根河森林工業有限公司碳匯造林項目 (the "Project") in providing service to 內蒙古根河林業局 in assisting to apply for the CCER (namely Chinese Certified Emission Reduction, trading through the CETP) quotas from the National Development and Reform Commission ("NDRC") has been delayed along with the incomprehensive carbon emission trading policy.

The development of carbon trading in the PRC was slow due to unclear systems and procedures for verifying the carbon emission products and the absence of a unified market. The price of the carbon allowance, CER and CCER is also not stable leading to a lack of confidence for the investors in entering into the market. The Operations of the CETP is therefore facing a challenge in Hong Kong as a result to a lack of knowledge or awareness to conduct the carbon emission trading. The business is underperformance and is considered as cost-intensive to continue the business with the unfavourable factors in the industry.

On 15 October 2018, the Group entered into a sale and purchase agreement to dispose entire business at a consideration of approximately HK$50,000,000. Details of the disposal are set out in the Company's announcement dated on 15 October 2018.

Money Lending Business

The Group recorded the loan interest income of approximately HK$3,136,000 from the money lending business for the year ended 31 December 2018, representing a slight decrease of 1.9% compared with the last fiscal year of approximately HK$3,196,000. The interest income grew in line with the size increment of loan portfolio. As a result of the implementation of cost control measures, the segment profit of the money lending business increased by 52.3% from HK$1,582,000 for the year ended 31 December 2017 to approximately HK$2,409,000 for the year ended 31 December 2018. There was no default event happened in respect of the Group's loan portfolio during the year under review.

The business contributed a high segmental profit margin to the Group. However, the default risk is expected to increase due to the material uncertainties of global economic environment. A prudent attitude to the money lending business will be adopted for better risk management.

Securities Trading Business

The Group recorded approximately HK$2,896,000 (2017: HK$3,001,000) of revenue from this segment, representing a decrease of 3.6% compared with last fiscal year in line with the drop of turnover by 7.3% from approximately HK$1,199 million for the year ended 31 December 2017 to approximately HK$1,111 million for the year ended 31 December 2018. Loss for the segment was decreased by 2.7% from HK$4,394,000 for the year ended 31 December 2017 to HK$4,277,000 for the year ended 31 December 2018.

The Group has implemented strict cost cutting policies and manpower restructuring during the year to minimise the operating cost of the business. However, the business performance and expansion were also affected by the adverse Hong Kong stock market performance from the second quarter of the year due to myriad causes, such as the ongoing US-China trade war, interest hikes, the currency depreciation of emerging countries and a slowdown in the Chinese economy. The uncertainties of the stock market caused the fall of the turnover over the year.

The business has expanded its services to providing foreign securities market trading services to stocks listed on foreign stock exchange especially in the United States to expand the source of income.

Blockchain Technology Related Business

The blockchain technology related business commenced its activities during the second quarter of the year. It is mainly engaged in (i) mainstream cryptocurrencies trading, (ii) non-mainstream cryptocurrencies trading and (iii) enterprise solution for blockchain technology.

i. Mainstream cryptocurrencies trading

The business segment has been commenced in April 2018. The Group has launched its wholesale cryptocurrency trading business that caters to customers who seek to purchase mainstream cryptocurrencies including Bitcoin and Ethereum for fiat currencies in amounts not less than HK$1,000,000. The Group has established relationships with large international suppliers of cryptocurrencies mainly from the United States, allowing the Group to secure the required amounts of cryptocurrencies at cost-effective prices that are then sold to customers at a markup.

During the year ended 31 December 2018, the Group recorded revenue of approximately HK$1,132,000 from mainstream cryptocurrencies trading. The gross profit margin remains at about 2.0% in average. To minimise the Group's inventory risk and maintain the Group's liquidity, the mainstream cryptocurrencies trading business is back-to-back.

ii. Non-mainstream cryptocurrencies trading

The Group launched the trading of non-mainstream cryptocurrencies by setting up a cryptocurrencies trading platform – TiDeal to allow our clients to buy and sell non-mainstream cryptocurrencies in a website. The commission and service income derived from the platform is approximately HK$6,123,000 for the year ended 31 December 2018.

The number of registered users of TiDeal has increased from about 200 as at 31 May 2018 to about 75,000 as at 31 December 2018. The Directors are of the view that existing promotion and marketing strategies are efficient and effective. The management of the Group will continue to expand its customer base, especially to Japan, Malaysia, and other Asia regions through increasing marketing effort in the Social Media Groups.

iii. Enterprise solutions for blockchain technology

Since May 2018, The Group has been developing enterprise solutions based on blockchain technology, providing blockchain-based software technology consulting and research and development for traditional enterprises such as financial institutions, entertainment industry and e-commerce platforms.

Blockchain technology is able to establish a series of reliable records and plays a role of a trusted machine which is not controlled by any signal party in operation of such systems, which may enable application in various areas and industries (e.g. logistics, financial systems, healthcare, supply chain management, micropayment/mobile payment systems, and asset transactions etc.) For example, a) supply chain companies may use blockchain technology to increase transparency by a shared record of ownership and location of parts and products in real time; and b) asset management companies may record all investments and transactions on blockchain for its customers or investors to inspect, which promotes trusts in stewardship of its assets.

In order to realise above application, large amounts of information will be required to be processed and recorded on blockchain. However, traditional blockchain technologies are not allowed to 1) store large numbers of transaction records on blockchain; 2) process large numbers of transactions in a short period of time with minimal transactions costs; 3) provide privacy protection for all kinds of transactions including asset transaction, smart contract, and general information record. Therefore, application of blockchain in commercial world is limited nowadays.

The Group has a second layer technology, called Booster of Ledger Technology ("BOLT"), advantages of which include fast transaction speed and assurance of privacy. BOLT can process more than 1,000,000 transactions per second. At the same time, BOLT can provide privacy protection to all users, including customers and digital assets providers. BOLT surpasses limitations of traditional blockchain technologies and has ability to establish a trustworthy decentralised architecture with no speed limit.

By development blockchain technologies based on BOLT, the management believe that the Group is able to provide various solutions in relation to commercial applications of blockchain technologies. During the year ended 31 December 2018, the business segment has been under development stage, mainly focusing on research and development of applications on blockchain technology based on BOLT.

Loss of the segment of approximately HK$22,027,000 is mainly attributed to the substantial investment in the research and development and operation costs for blockchain technology related to enterprise solutions and cryptocurrencies trading platform, comprising the staff costs of software engineers, IT programmers and other operating staffs. The Group will aggressively enhance the popularity of the platform and the active user base.

PROSPECTS

The business segment relates to the provision operating lease of energy-saving air-conditioners to the customers in the PRC. Leasing of energy-saving air-conditioner is attractive to the customers, especially for small and medium sized enterprises in the PRC, since it can reduce substantial capital investment in the instalment of air-conditioners. However, the rental of energy-saving air-conditioners business reflects a negative downward trend from the decreasing utilisation rate of the air-conditioner during 2018. The management of the Group realised that more than 70 percent of existing customers made top-up credits less than 1,200 hours of air-conditioner rental for a year or the balance of the credits (excluding the deposit) is less than 50 hours. However, the Group has not exercised its right to terminate the current leasing agreement and recalled the air-conditioners. During the year ending 31 December 2019 and 2020, the Group will gradually exercise its right to terminate those current leasing agreements and recall the air-conditioner. Further, the Group will plan to introduce an agreement with minimum charges the new leasing agreement. The customer of the Group under the new leasing agreement will also be required to pay the deposits, but together with minimum top-up credits which will be equivalent to 1,200 hours of air-conditioner rental in advance upon the signing of the new leasing agreements. The hourly rate of air-conditioners rental charged under the new leasing agreement (the "New Hourly Rate") will be approximately 15% lower than the current hourly rate. Therefore, the new leasing agreement will be able to increase the utilisation rate of the air-conditioner and secure income of the business. The management of the Group will expect that the discount of the new hourly rate will be attractive to the customer, especially, for the customers whose consumptions of air-conditioner services are close 1,200 hours for a year, to enter into the new leasing agreement. Furthermore, The Group will continue to make its best effort to explore more new opportunity with medium-sized enterprise including those operating factory, malls and restaurants in the PRC.

On 20 January 2019, the Group entered into a legally-binding strategic distribution cooperation agreement (the "Strategic Distribution Cooperation Agreement") with the Electric Vehicle Supplier, pursuant to which the Electric Vehicle Supplier authorized the Group as a distributor to non-PRC regions and a sole distributor in Malaysia for sales of all models of electric vehicles of The Electric Vehicle Supplier for promotion in the permitted sales regions. The management will of the Group expects that the government of Malaysia plans to conduct a physical site visit to the People's Republic of China ("The PRC") production base of the Electric Vehicle Supplier in Hangzhou in March 2019. Furthermore, The management of the Group expects that the government of Malaysia will place the first purchase order of 20 electric vehicles with the Group at a total purchase price of approximately USD2,000,000 in the third quarter 2019.

In response to the uncertainties and challenges, the Group will plan to put more effort in the coming year to strengthen the quality of the Group's loan portfolio with a focus to improve overall loan to value ratio and to reduce the loan portfolio from high risk customers. Furthermore, the Group will increase the lending rate in order to improve the profitability of this segment and expand the loan portfolio.

Chairman's Statement

The management of the Group believe that the segment loss of securities brokerage was temporary and was mainly due to uncertainty of global economic environment. In order to improve this business segment's profitability, the Group will enhance its promotion of securities margin financing services to its customers especially to customers for initial public offerings subscription. Besides, in November 2018, Hing Lee has cooperated with Phillip Securities (HK) Limited to provide foreign securities market trading services to customers of Hing Lee, which has extended the Group's securities dealing and brokerage services to stocks listed on foreign stock exchange especially in the United States and results in increase in the Group's commission income.

The application of block chain technology has been emerging into different industry sectors, such as engineering and construction, to provide a trust, tamper-proof, consensus-based and traceable system so that it can be used to develop a system for record keeping, transfer of value and smart contracts etc. In view of the significant advantages of secure, simple and process-monitor of the block chain technology, vendors have long been working on building connections between devices in the Internet of Things network based on block chain technology. The Internet of Things is the concept of a space in which everything from the analog and digital worlds can be combined. As the Internet of Things keeps expanding, the need for interoperability and sharing of resources become a necessity. Modern companies which launch the startups, deal with finance and investments must necessarily use a block chain platform. Blocking is an eternal digital distributed log of economic transactions, which can be programmed to record not only financial transactions but virtually everything that has value. The management believe the use of the block chain technology in enterprises in different industries would also increase the sales of enterprise solutions for block chain technology of the New Business in the future.

On behalf of Board, I would like to express my heartful gratitude to our shareholders, customers and business partners for their continuing support. My heartfelt thanks go to all the directors, management team and staff for their efforts and contributions in attaining such remarkable performance in the past year. Going forward, I will grasp all the business opportunities to maximise the optimal returns for investors, enhance profit contribution in the year ahead.

Chen Ping
Chairman and Executive Director

Management Discussion and Analysis

We principally engaged (i) rental of energy-saving air-conditioners, (ii) trading business, (iii) the operations of carbon emission trading platform and related services, (iv) money lending business, (v) securities trading business and (vi) blockchain technology related business.

The Group disposed the operations of carbon emission trading platform on 15 October 2018.

FINANCIAL OVERVIEW

Results

Revenue

For the year ended 31 December 2018, the Group recorded a revenue of approximately HK$180,827,000 (2017: approximately HK$193,460,000), representing a decrease of 6.5% comparing with last fiscal year, as a result of the decrease in revenue from the segment of trading business.

Other Gains and Loss

The other gains and loss was increased by 219.9% from a net loss of approximately HK$1,082,000 for the year ended 31 December 2017 to a net loss of approximately HK$3,461,000 for the year ended 31 December 2018. The substantial increase was mainly attributed to the recognition of an impairment loss arising from the loss allowance on the expected credit losses of the trade receivables, other receivables, deposits and prepayments after adoption of Hong Kong Financial Reporting Standard 9 "Financial Instruments" that has changed the Group's impairment model by replacing the Hong Kong Accounting Standard 39 "incurred loss model" to expected credit losses model with effective from 1 January 2018.

Selling and Distribution Expenses

The selling and distribution expenses of the Group was approximately HK$2,447,000 for the year ended 31 December 2018 (2017: approximately HK$1,666,000), representing an increase of 46.9% comparing with the last fiscal year. The increase was driven by the recruitment of marketing talents for the blockchain technology related business.

Administrative and Other Operating Expenses

The administrative and other operating expenses for the year ended 31 December 2018 amounted to approximately HK$85,117,000 (2017: approximately HK$38,946,000), representing an increase of 118.6% comparing with last fiscal year. The increase was mainly attributed to (i) the equity-settled share-based payments of approximately HK$12,087,000 for the year ended 31 December 2018 (2017: Nil); and (ii) the research and development costs together with other related operating costs arising from the development of the blockchain technology related business. The research and development costs mainly comprised of the staff costs incurred by the software engineers and IT programmers.

Loss for the Year

Except from the factors mentioned above, the loss for the year by 168.3% from approximately HK$57,634,000 for the year ended 31 December 2017 to approximately HK$154,617,000 for the year ended 31 December 2018 was also related to (i) the impairment loss on goodwill on in relation to the Group's acquisition of securities trading business in 2016 of approximately HK$2,365,000 as a result of the underperformance of the Group's securities trading business; (ii) the recognition of loss on disposal of subsidiaries of approximately HK$22,791,000; (iii) the impairment loss on property, plant and equipment of rental of energy-saving air-conditioners segments as a result of the underperformance during the year; and (iv) the impairment loss on cryptocurrencies, suffering from the crypto economy downturn from the second quarter of the year.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2018, the Group had total assets of approximately HK$225,265,000 (2017: approximately HK$380,041,000), including net cash and cash equivalents of approximately HK$48,982,000 (2017: approximately HK$104,902,000).

As at 31 December 2018, current ratio (defined as total current assets divided by total current liabilities) was 8.26 (2017: 11.43). As at 31 December 2018, the Group had approximately HK$296,000 of amount due to related parties which has unsecured, interest-free and repayable on demand (2017: approximately HK$1,526,000).

During the year under review, the Group financed its operations with fund raising.

Financing and Capital Structure

Grant of share options

On 18 January 2018, the Company granted 54,876,000 share options in which of 35,208,000 share options were granted to executive Directors and non-executive Directors of the Company under the Company's share option scheme adopted on 9 May 2012. Each of options shall entitle its holders to subscribe for one ordinary share of HK$0.04 each in the capital of the Company at the exercise price of HK$0.370 per share. Please refer to the contents headed "SHARE OPTION SCHEME" for details.

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. It strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Charges on Group Assets

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

Foreign Exchange Exposure

The Group's income and expenditure during the year ended 31 December 2018 were denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB"), Taiwan dollars and US dollars, and most of the assets and liabilities as at 31 December 2018 were denominated either in HKD or RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rates, and no hedging transaction or forward contract arrangement was made by the Group during the year under review.

Management Discussion and Analysis

MAJOR EVENTS DURING THE YEAR UNDER REVIEW

Disposal of Subsidiaries and Acquisition of Cryptocurrencies

On 15 October 2018, the Company entered into a sale and purchase agreement in respect of the disposal of its entire interests in Wonderful Dream Limited and its subsidiaries, Vax Limited and Hong Kong Carbon Emission Trading Limited (the "Disposal Group") at a consideration of HK$50.0 million which was settled by transferring to the Group of 91,240,875.9 units of XPA, which was equivalent to the market value of approximately HK$54,632,000 as at 10:00 a.m. on 15 October 2018 (the "Disposal and Acquisition"). The Group realised a loss on the disposal of approximately HK$19,487,000. The disposal was completed 15 October 2018.

The Disposal Group was principally operating of a carbon emission trading platform and related services. In view of the existing immature market conditions of the carbon emission trading and the the Group's recent development on blockchain technology related business, the Disposal and Acquisition is considered as a prime opportunity to realise the investment in the CETP business and exchange for investment in XPA to maximise the Group's return in the long run. Details of the Disposal and Acquisition are set out in the Company's announcement dated 15 October 2018.

Termination of Joint Venture

On 15 October 2018, the Group entered into a termination deed with TideEX Technology Limited ("TTL"), a company incorporated under laws of Republic of Seychelles, in which Mr. Chen Ping (Chairman and executive Director) and Ms. Ma Jian Ying (CO-Chief Executive Officer and executive Director) hold 85% and 15% interest respectively, to terminate the joint venture agreement (the "JV Agreement") entered into between the Company and TTL on 16 November 2017. Neither party would have any claims against the other as a result of the termination of the JV Agreement. Details of termination of JV Agreement are set out in the Company's announcement dated 15 October 2018.

PRINCIPAL RISKS

The Group's financial position, business prospect may be affected by a number of risks including operation risks, market risk, financial risk and compliance risk. The Group's trading business and money lending business are subject to credit risks and foreign currency risk, respectively. The Group has commenced the blockchain technology related business and the related operation risks, compliance risks and financial risks are set out as following:

Early Stage of Blockchain Technology Development and May Not Obtain Wide Market Acceptance in the Future

Blockchain is an open-source peer to decentralised digital ledger comprising a series of data blocks that are linked and secured using cryptography. Although there is a strong potential for blockchain technology in various applications, including but not limited to those in fields of payment, financial services (such as registration and transfer of equity ownership), cloud computing, IoT, cybersecurity, and cryptocurrencies, there can be no assurance that such potential will be fully utilised. If blockchain technology cannot gain a universal acceptance in the society, there may not be strong market demand for blockchain technology, and the prospects, business and results of operations can be materially and adversely affected.

Intense Industry Competition

It is a highly competitive industry for cryptocurrencies trading platforms. The competitors include many well-known domestic and international players with advantage over us in terms of financial and other resources. The competition in cryptocurrencies trading platforms industry will continue to be intense as the Group not only competes with existing players that have been currently focusing on cryptocurrencies trading platforms, but also new entrants. Some of these competitors may become more responsive to the change in the cryptocurrencies industry more promptly and efficiently. Competitive environment from the existing and potential competitors could result in decreasing in our market share. If the Group fail to compete effectively and efficiently or fail to adopt to changes in this environment, the cryptocurrencies trading platform business of the Group, financial condition and results of the operations may be materially and adversely affected.

Difficulties in Recruiting and Retaining Key Personnel

The future growth and success of the blockchain technology related business depend to a significant extent on the continuing service and contribution of the engineers and senior management personnel. Much of the Group's future success on this business depends on the continuing available service of key personnel, including the Group's management team and other highly skilled employees. Experienced personnel in the blockchain technology related industry are in high demand and competition of their talents is intense.

Economic, Political, Regulatory and Other Risks Arising from the Blockchain Technology Related Business

Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that may be different from or incremental to those in Hong Kong. In addition to the risks that we face in Hong Kong, the operation risks that could adversely affect the business, including:

- The need to adopt our content and user interfaces for specific cultural and language differences, including licensing a certain portion of our content assets before we have developed a full appreciation for its performance within a given territory;
- Difficulties and costs associated with staffing and managing foreign operations;
- Management distraction;
- Difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions;
- There is no legislation that directly regulate nor define cryptocurrencies or crypto exchanges in Hong Kong. Stemming from the degree of uncertainty within the statutory law, other secondary sources are relied on, whether relevant legislations and/or publications from government authorities;
- Fluctuations in cryptocurrency exchange rates (due to the fact that we charge transaction fees in cryptocurrencies instead of fiat money), which we do not use foreign exchange contracts or derivatives to hedge against and which could impact asset value;
- New and different sources of competition; and
- Different and more stringent user protection, data protection, privacy and other laws, including data localization requirements.

The failure to manage any of these risks successfully could harm the overall business, and results of the operations.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 192 (2017: 55) full-time employees in Hong Kong, the PRC and Taiwan. Total staff costs (including directors' remuneration but excluding share-based compensation) were approximately HK$34,337,000 for the year ended 31 December 2018 (2017: approximately HK$18,120,000). Remuneration is determined with reference to market terms, employment conditions, responsibilities and the performance, qualification and experience of individual employee. Other benefits include Corporate Liabilities Insurance for the Directors and Officers, contributions to the statutory mandatory provident fund scheme for its employees in Hong Kong and social insurance for its employees in the PRC, and are paid at appropriate levels.

MATERIAL INVESTMENTS

Investment in Cryptocurrencies

The Group's investment in cryptocurrencies of ETH and XPA as at 31 December 2018 are approximately 2,000 units and 111.74 million units respectively.

Cryptocurrencies are digital currencies in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds using blockchain technology, operating independent of a central bank. The blockchain is a public record of cryptocurrency transactions in chronological order. The blockchain is shared between all users in that blockchain. It is used to verify the permanence of transactions and to prevent double spending. cryptocurrencies are not issued by any central authority, rendering them theoretically immune to government interference or manipulation. cryptocurrencies make it easier to transfer funds between two parties in a transaction and these transfers are facilitated.

ETH is a cryptocurrency of which its blockchain is generated by the Ethereum platform. Ethereum platform is a decentralized platform that runs smart contracts and allow different types of cryptocurrency tokens to be launched in Ethereum blockchain with ease. Applications and cryptocurrency tokens are able to be run in the Ethereum platform exactly as programmed without any possibility of downtime, censorship, and fraud or third-party interference. This would save significant time and resources to be devoted in the development of a separate blockchain.

XPA is a cryptocurrency token which is currently built up based on the blockchain technology of Ethereum platform. XPA can be traded in an open market and is being used in an ecosystem comprising of XPA, the cryptocurrency token itself; XPA can be used in a decentralized cryptocurrencies exchange, namely XPA Exchange; and XPA can be used as well to exchange for another cryptocurrency asset known as XPA Assets. XPA Assets is a secure cryptocurrency that is anchored to the legal tender via smart contract with a vision to allow a stable cryptocurrency value to facilitate payment and circulation.

The acquisitions of ETH and XPA are strategic moves of the Group to seek for better investment return of its financial resources. The Board considered the optimistic future on prospects of blockchain technology and cryptocurrencies. The Board also view that the acquisitions of ETH and XPA provide the Group with a good investment opportunity to expand investment portfolio with quality assets in long run. Although the cryptocurrencies market price has deteriorated in a relatively low level recently, reflecting the volatility of the market, the Directors believe that such volatility is only in a short-run period and is caused by investment environment as a whole, not merely in cryptocurrencies market. The Directors expect that the market value of the cryptocurrencies will pick up the growth in the long run.

The Board also has evaluated and determined the nature and extent of the risks associated with the custody of the acquired cryptocurrencies that the Group has purchased and may purchase in the future. The Group has accordingly taken appropriate steps to ensure that the Group has established and maintains appropriate and effective risk management and internal control systems in this regard. The risk management measures include proper authorization with respect to the withdrawals of cryptocurrencies, password access to cryptocurrencies trading accounts by authorized persons only, implementation of two-factor authentication in relation to access to trading accounts and withdrawal of cryptocurrencies, and email notification to authorized persons in the event there is a log-in to the cryptocurrencies trading accounts of the Group. With respect to internal control systems, proper walk-through procedures in relation to above measures have been performing and these measures have been successfully implemented.

The Board and the audit committee of the Group have reviewed the effectiveness of the measures and the relevant internal control systems of the Group and consider that they are effective in safeguarding the acquired cryptocurrencies in the cryptocurrencies trading accounts of the Group.

USE OF PROCEEDS

The gross proceeds raised from subscription of new shares (the "Subscription of New Shares") and rights issue (the "Rights Issue") were approximately HK$37,885,000 and HK$103,638,000, respectively. The intended use of net proceeds from the subscription of new shares and rights issue, utilisation, remaining balance of the proceeds as at 31 December 2018 and the revised allocation before and after adjustment are summarised below:

(a) Subscription of New Shares

On 4 January 2017, the Company entered into the subscription agreements pursuant to which the Company has conditionally agreed to allot and issue, and the subscribers have agreed to subscribe for a total of 115,153,225 shares at HK$0.329 per subscription price, representing approximately 20.0% of the issued share capital of the Company. The net proceeds from the subscription of shares received by the Company was approximately HK$37,750,000.

The below table sets out intended use of net proceeds, utilisation and the remaining balance of the net proceeds as at 31 December 2018:

	Intended use of net proceeds HK$ million	**Utilisation** HK$ million	**Remaining balance as at 31 December 2018** HK$ million
Repayment of short-term loan	21.00	(21.00)	–
Expansion of securities trading business	8.00	(2.50)	5.50
General working capital	8.75	(8.75)	–
Total	**37.75**	**(32.25)**	**5.50**

(b) Rights Issue

On 29 March 2017, the Company entered into an underwriting agreement with an underwriter by issuing 345,459,675 rights shares on the basis of one rights share for every two shares on the record date (13 April 2017) at the subscription price of HK$0.3 per right shares, representing approximately 50.0% of the then issued shares capital of the Company. The net proceeds raised from the rights issues received by the Company was approximately HK$99,690,000.

As disclosed in the Company's announcement dated 18 January 2018, the Board has resolved to re-allocate approximately HK$50.00 million of the unreleased net proceeds (comprising approximately HK$35.00 million out of the development of securities trading business and approximately HK$15.00 million out of the development of money lending business) to the Group's investment business sector a view to enhancing the value of the Group as a whole.

The below table sets out the proposed application of net proceeds before and after adjustments and usage up to the 31 December 2018:

	Intended use of net proceeds HK$ million	Utilisation HK$ million	Reallocations HK$ million	Utilisation after reallocations up to 31 December 2018 HK$ million	Remaining balance as at 31 December 2018 HK$ million
Development of securities trading business	50.00	–	(35.00)	–	15.00
Development of money lending business	25.00	(9.97)	(15.00)	–	0.03
Operations of carbon emission trading platform	3.00	(1.57)	–	(1.13)	0.30
Investment business sector	–	–	50.00	(26.34)	23.66
General working capital	21.69	(0.46)	–	(17.75)	3.48
Total	**99.69**	**(12.00)**	**–**	**(45.22)**	**42.47**

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chen Ping *(Chairman)*

(Appointed as an executive Director and elected as the Chairman on 15 September 2017)

Aged 64, is the Chairman and executive Director of the Board. He is also a director of a subsidiary of the Group. Mr. Chen is a famous entrepreneur and scholar, and is currently the chairman of Sun Television Cybernetworks Enterprise Limited which owns SUN TV. He had been the analyst for various governmental think tanks including Institute of Research for Chinese Enterprises Development and Shanghai Centre for Economic & Social Strategic Studies in 1980s. Mr. Chen is the brother-in-law of Ms. Ma Jian Ying, the Chief Executive Officer and executive Director of the Board.

Ms. Ma Jian Ying *(CO-Chief Executive Officer)*

(Appointed on 15 September 2017)

Aged 62, is the CO-Chief Executive Officer and executive Director of the Board. She is also a member of each of the remuneration committee, nomination committee and corporate governance committee of the Board, authorised representative and compliance officer of the Company and a director of a number of subsidiaries of the Group. Ms. Ma was graduated from the postgraduate of the faculty of economics and management of Tongji University, Shanghai, China. She is currently the executive director of Sun Television Cybernetworks Enterprise Limited. Ms. Ma has extensive business experience in China. Ms. Ma is the sister-in-law of Mr. Chen Ping, the Chairman and executive Director of the Board.

Ms. Xie Bin *(CO-Chief Executive Officer)*

(Appointed on 18 April 2019)

Aged 34, is the CO-Chief Executive Officer and executive Director of the Board. She obtained a Bachelor Degree in Computer Science and Technology from University of Science and Technology of China, a Master's Degree in Environmental Science from Iowa State University and a Master's Degree in Environmental Engineering from Rice University. She had practiced as a professional engineer in the state of Texas of the United States since 2011 and had been certified as a project management professional by Project Management Institute in 2015. She joined our Company as a CO-CEO since August 2018. She had extensive, comprehensive and professional management experience in project management and system engineering. Prior to joining the Group, Ms. Xie was a general partner of Sabra Capital Inc. from 2017 to 2018. She was a senior engineer/program manager of Oceaneering International, Inc. from 2013 to 2017, the engineer III of Cameron International Corporation from 2012 to 2013 and the environmental engineer II of CDM Smith Inc. from 2008 to 2012.

Mr. Tsang Chun Kit Terence

(Appointed on 18 October 2017)

Aged 30, is the executive Director of the Board. He is also a director of a number of subsidiaries of the Group. Mr. Tsang received his Master degree of Science in Finance from Johns Hopkins University, USA and Master degree of Laws in Corporate and Financial Law from the University of Hong Kong. He is currently the Chief Operating Officer of Sun Television Cybernetworks Enterprise Limited ("Sun Television") which owns Sun TV, where he is involved in the determination of the company's business strategy and overall management. Mr. Chen Ping, the Chairman and executive Director of the Board, is the chairman and ultimate controlling shareholder of Sun Television.

Biographies of Directors and Senior Management

Mr. Wang An Zhong

(Appointed on 2 September 2016)

Aged 62, is the executive Director of the Board. Mr. Wang graduated with a master's degree in engineering from the Department of Computer Science of Beijing University of Technology. He was an associate professor and has extensive experience in lecturing and scientific research. He has managed and was involved in a number of the State's research projects and won several awards. From January 2000 to June 2016, he was the executive director of Yuxing InfoTech Investment Holdings Limited, a company listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited.

NON-EXECUTIVE DIRECTORS

Mr. Shi Guang Rong

(Appointed on 10 March 2017)

Aged 58, is the non-executive Director of the Board. Mr. Shi graduated with a bachelor's degree in engineering from the Department of Automatic Control of the Beijing University of Technology. He has extensive experience in marketing and investment management for many years. He is currently the executive director of Yuxing InfoTech Investment Holdings Limited, a company listed on the GEM of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wah

(Appointed on 12 January 2010)

Aged 54, is the independent non-executive Director of the Board. Mr. Leung is also the chairman of each of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Board. He is a member of Hong Kong Institute of Certified Public Accountants, a member of Institute of Chartered Accountants in England and Wales and a fellow member of Association of Chartered Certified Accountants. He graduated from the University of Hong Kong with a Bachelor of Science degree. Mr. Leung has extensive experience in finance and accounting including working experience in international accounting firms, including Ernst & Young and Deloitte Touche Tohmatsu. Mr. Leung acted as an independent non-executive director of Seamless Green China (Holdings) Limited on 6 May 2013 and retired as an executive director on 28 May 2014, the share of which is listed on the GEM of the Stock Exchange. Mr. Leung was an independent non-executive director of TC Orient Lighting Holdings Limited between 1 September 2014 and 5 June 2015, the share of which is listed on the Main Board of the Stock Exchange.

Ms. Wong Mei Ling

(Appointed on 13 December 2016)

Aged 57, is the independent non-executive Director of the Board. She is also the member of the audit committee of the Board. Ms. Wong obtained a master degree of Finance of the Curtin University. Ms. Wong is a member of Hong Kong Institute of Certified Public Accountants. Ms. Wong has over 20 years of experience in accounting field. From July 2011 to January 2016, Ms. Wong was the Chief Financial Officer of Sun Television Cybernetworks Enterprise Limited.

Mr. Qin Hui

(Appointed on 29 March 2019)

Aged 65, is the independent non-executive Director of the Board. He obtained a Master of History from Lanzhou University in 1981. He is currently a professor of Department of Politics and Administration of The Chinese University of Hong Kong. Prior to his service in The Chinese University of Hong Kong, he was the professor of history and doctoral tutor of the Humanities and Social Sciences Academy of Tsinghua University in 1995. In 2015, Mr. Qin founded the Research Center for Social Innovation and Modern History of Tsinghua University and served as the director of the center and chairman of the academic committee.

SENIOR MANAGEMENT

Mr. Lee Kin Chung Jacky

(Financial Controller and Company Secretary)

Aged 45, is the company secretary and financial controller of the Company. Mr. Lee received his bachelor degree of Accounting & Finance from Curtin University of Technology in Western Australia. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Lee has over 10 years of commercial experience in accounting and finance. Prior to joining the Company, Mr. Lee had 9 years of audit experience with local and international accounting firms and participated in IPO project successfully listed on the main board of the Stock Exchange.

* *The English transliteration of the Chinese name(s), where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions.

The Company has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2018.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, Ms. Ma Jian Ying and Ms. Xie Bin are the co-chief executive officer of the Group, and Mr. Chen Ping are the chairman of the Board. Their respective responsibilities are clearly established and defined by the Board in writing. The chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures, whilst the chief executive officer, supported by the executive Directors and senior management, is responsible for managing the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 requires non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Bye-laws of the Company. Throughout the year ended 31 December 2018, the Company complied with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise, and a sufficient number of independent non-executive Directors representing at least one-third of the board, respectively.

BOARD OF DIRECTORS

The Board is responsible for the Group's corporate policy formulation, business strategies, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of quarterly, interim and annual accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Corporate Governance Report

COMPOSITION OF THE BOARD OF DIRECTORS

The Board currently comprises nine members as follows:

Executive Directors

Mr. Chen Ping *(Chairman)*
Ms. Ma Jian Ying *(CO-Chief Executive Officer)*
Ms. Xie Bin *(CO-Chief Executive Officer)*
Mr. Tsang Chun Kit Terence
Mr. Wang An Zhong

Non-executive Directors

Mr. Shi Guang Rong

Independent Non-executive Directors

Mr. Leung Wah
Ms. Wong Mei Ling
Mr. Qin Hui

The biographical information of the Directors and their relationship among the members of the Board, if any, are provided in the "Biographies of Directors and Senior Management" section of this annual report, which demonstrates a diversity of skills, experience and qualifications. Save as disclosed therein, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the members of the Board.

Each of the executive Directors has entered into a letter of employment with the Company without a specific term. Under the letter of employment, they receive a basic salary per month. Any bonus, option shares, subsequent review will be at the discretion of the Board based upon his or her performance, diligence and loyalty, as well as the Company's business result, financial standing, market conditions and/or inflationary trends and such other factors as the Company may consider relevant in its absolute discretion. Either party may terminate the employment by serving the other party not less than one month written notice or payment of an amount equivalent to one month of the basic salary and allowances in lieu of notice at any time.

Each of independent non-executive Directors has signed a letter of appointment with the Company for one-year term.

Each of the Directors are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the Bye-laws. Pursuant to the Bye-laws, at least one-third of the Directors shall retire from office by rotation, and any director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Also, all Directors are subject to retirement by rotation at least once every three years. The directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election.

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

The principal focus of the Board is on the overall strategic development of the Company. The Board also monitors the financial performance and the internal controls of the Company's business operations. With a wide range of expertise and a balance of skills, the independent non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the GEM Listing Rules. The independent non-executive Directors are explicitly identified in all corporate communications of the Company.

Saved as disclosed above, throughout the year ended 31 December 2018, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

During the year ended 31 December 2018, 17 Board meetings were held. The attendance of individual Directors at the meetings of the Board, its respective committees and general meeting during their tenure is as follows:

	Board *(Note 1)*	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	General Meeting *(Note 2)*
Executive Directors						
Mr. Chen Ping	17/17	N/A	N/A	N/A	N/A	2/2
Ms. Ma Jian Ying	17/17	N/A	3/3	2/2	2/2	2/2
Ms. Xie Bin *(Note 3)*	N/A	N/A	N/A	N/A	N/A	2/2
Mr. Tsang Chun Kit Terence	17/17	N/A	N/A	N/A	N/A	2/2
Mr. Wang An Zhong	17/17	N/A	N/A	N/A	N/A	2/2
Non- executive Directors						
Mr. Shi Guang Rong	17/17	N/A	N/A	N/A	N/A	2/2
Mr. Hsu Bin Chun *(Note 4)*	17/17	N/A	N/A	N/A	N/A	N/A
Independent Non- executive Directors						
Mr. Leung Wah	17/17	11/11	3/3	2/2	2/2	2/2
Ms. Sun Ching *(Note 5)*	15/17	11/11	3/3	2/2	2/2	2/2
Ms. Wong Mei Ling	16/17	11/11	N/A	N/A	N/A	2/2
Mr. Qin Hui *(Note 6)*	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1. During the year ended 31 December 2018, saved as other meetings, the Board held 17 regular meetings.

2. The annual general meeting of the Company was held on 29 June 2018.

3. Appointed on 18 April 2019.

4. Resigned on 25 May 2018

5. Resigned on 31 December 2018

6. Appointed on 29 March 2019.

The Directors will receive details of agenda items for decision in advance of each Board meeting. The company secretary of the Company (the "Company Secretary") is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information. All Directors could access the advice and services of the Company Secretary to ensure that the Board's procedures, and all applicable law, rules and regulations, are followed. The Company Secretary is also responsible for providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings. All executive directors have given sufficient time and attention to the affairs of the Group and each of them has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

BOARD COMMITTEES

In accordance with the Code, the Board has established Audit, Remuneration, Nomination and Corporate Governance Committees, each committee is chaired by an Independent Non-Executive Director. Terms of reference for each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee have been published on the websites of the GEM (http://www.hkgem.com) and the Company (http://www.8192.com.hk).

Each committee deal with matters in accordance with its terms of reference so that they could perform their functions properly, including but not limited to report back to the Board on their decisions or recommendations. All committees are provided with sufficient resources to perform their duties and have access to independent professional advice at the Company's expense if so reasonably required. The duties of the four committees are as follows:

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors. The Board is satisfied that the current mix of experience of the committee members facilitates an effective functioning of their roles. The members of the Audit Committee are:

Mr. Leung Wah – *Chairman of the Committee*
Ms. Sun Ching *(resigned on 31 December 2018)*
Ms. Wong Mei Ling
Mr. Qin Hui *(appointed on 29 March 2019)*

The Audit Committee is responsible for monitoring the integrity of the financial statements of the Company, reviewing the Company's risk management process and system and overseeing the relationships between the Company and its independent auditor. The terms of reference of the Audit Committee are posted on the Company's website.

During the year ended 31 December 2018, the Audit Committee held four meetings to review the results, the accounting principles and practices adopted by the Company and discuss with senior management and the independent auditor on the matters arising from audits and the effectiveness of the Company's internal control and risk management system. The record of attendance of the members is set out in the section headed COMPOSITION OF THE BOARD OF DIRECTORS.

The Group's accounts for the year ended 31 December 2018 have been audited by HLB whose term of office will expire upon the forthcoming annual general meeting of the Company (the "AGM"). The Audit Committee has recommended to the Board that HLB be re-appointed as the auditors of the Company at the AGM.

Remuneration Committee

The Remuneration Committee comprises three Directors, two of whom are Independent non-executive Directors. The Remuneration Committee is responsible for reviewing and advising on the remuneration packages (including non-monetary benefits, retirement benefits and share option scheme) for all Directors and some senior management, who are not on the Board. The Remuneration Committee met 3 times during the year ended 31 December 2018 and the record of attendance of the members is set out in the section headed COMPOSITION OF THE BOARD OF DIRECTORS. The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are posted on the Company's website. The members of the Remuneration Committee are:

Mr. Leung Wah – *Chairman of the Committee*
Ms. Ma Jian Ying
Ms. Sun Ching *(resigned on 31 December 2018)*
Mr. Qin Hui *(appointed on 29 March 2019)*

Details of the Directors' remuneration and the five highest paid individuals during the year are set out in Note 12 to the consolidated financial statements.

Nomination Committee

The Nomination Committee comprises three Directors, two of whom are independent non-executive Directors. The terms of reference of the Nomination Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The Nomination Committee is responsible for formulating nomination policy for consideration by the Board. It makes recommendations to the Board on the appointments or re-appointments of directors and succession planning for directors. The Nomination Committee met 2 times during the year ended 31 December 2018 and the record of attendance of the members is set out in the section headed COMPOSITION OF THE BOARD OF DIRECTORS. The members of the Nomination Committee are:

Mr. Leung Wah – *Chairman of the Committee*
Ms. Ma Jian Ying
Ms. Sun Ching *(resigned on 31 December 2018)*
Mr. Qin Hui *(appointed on 29 March 2019)*

The Board believes that building a diverse and inclusive culture is integral to the success of the Group. A truly diverse Board will include and make good use of differences in the skill, regional and industry experience, background, race, gender and other qualities of directors.

The Company has adopted a board diversity policy (the "Board Diversity Policy") in order to bring it in line with the code provisions A.3 and A.5 of the CG Code. The Board Diversity Policy sets out the general policy and measurable objectives based on a range of diversity perspectives. The Company seeks to achieve diversity of board members through the consideration of a number of factors, including but not limited to gender, age, educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has reviewed the composition of the Board under diversified perspectives. Diversity Policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results in the corporate governance report annually.

Corporate Governance Committee

The Corporate Governance Committee comprises three Directors, two of whom are Independent Non-Executive Directors. The terms of reference of the Corporate Governance Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The Corporate Governance Committee met 2 times during the year ended 31 December 2018 and the record of attendance of the members is set out in the section headed COMPOSITION OF THE BOARD OF DIRECTORS. The members of the Corporate Governance Committee are:

Mr. Leung Wah – *Chairman of the Committee*
Ms. Ma Jian Ying
Ms. Sun Ching *(resigned on 31 December 2018)*
Mr. Qin Hui *(appointed on 29 March 2019)*

The principles of corporate governance adopted by the Board stress the importance of a quality board, sound internal controls, and transparency and accountability to all the shareholders of the Company. The Corporate Governance Committee is primarily responsible for developing and reviewing the policies and practice of corporate governance including the continuous professional development of directors and senior management, compliance with code of conduct of the Directors and the Company's policies and procedures, and making recommendations to the Board.

AUDITORS' REMUNERATION

The Company engaged HLB as the Company's independent auditor. For the year ended 31 December 2018, HLB provided the following services to the Group:

	2018 **HK$'000**	2017 HK$'000
Statutory audit service	**780**	680
Non-statutory audit service	**30**	271
	810	951

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation and true and fair presentation of the financial statements of the Company. In preparing the financial statements, the financial reporting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable judgements and estimates have been made. The Board is not aware of any material uncertainties relating to the events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the ongoing concern basis in preparing the financial statements.

The independent auditor's report, which contains the statement of the independent auditor about its reporting responsibilities on the Group's consolidated financial statements, is set out in the "Independent Auditors' Report" of this annual report.

INTERNAL CONTROL

The Board has overall responsibility for maintaining effective internal control to safeguard the Group's assets and the shareholders' interests. The Board, through the Audit Committee, conducted an annual review of the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The Board is of the view that the internal control system in place for the year ended 31 December 2018 is sufficient to safeguard the interests of the shareholders and the Group's assets. The Board further considers that, save as disclosed in the "Continuing Connected Transactions" subsection contained in the "Directors' Report" section in this annual report, (i) there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions, of the Group; and (ii) that there were adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided for during the year ended 31 December 2018.

The management of Group realised that fluctuation of fair value of cryptocurrencies may have material financial impacts to the Group's financial statements. In order to mitigate financial impacts on change of fair value of the cryptocurrencies to be received as commission income on TiDeal, the Group will convert the cryptocurrencies to be received as commission income on TiDeal into cash within 2 weeks. In this regard, the Group introduced following control policies (the "Cryptocurrencies Control Polices") which was effective on 1 January 2019:

i. At the last working day of every week, the Group's finance manager will prepare a weekly report (the "Weekly Report") based on the transactions incurred on TiDeal. The Weekly Report will summarise numbers and types of the cryptocurrencies received as commission income during the week.

ii. The Group's finance manager will submit the Weekly Report to the Group's finance controller for his review. The Group's financial controller will reconcile the Weekly Report with TiDeal system and investigate the differences found, if any. The Group's financial controller will complete the review within 1 working day of the Weekly Report.

iii. After the review performed by the Group's financial controller, he will submit the Weekly Report to two of the Directors for their joint approvals on allowing the Company to covert the cryptocurrency shown on the Weekly Report into cash. If there is no material finding on Weekly Report or any unexpected events occurred in the market, both Directors will approve the event aforementioned within 3 working days of submission of the Weekly Report made by the Company's financial controller.

iv. Within 1 working day of joint approval provided by both Directors, the Group's finance controller will convert the cryptocurrencies shown in the Weekly Report into cash at the cryptocurrency exchange which will directly deposit relevant amount of cash to the Group's bank account.

Anti-Money Laundering

In strict compliance with current laws and regulations concerning the operation of Cryptocurrency Exchange in Hong Kong, the Group as a TiDeal Operator is required to conduct due diligence on customers and have an adequate anti-money laundering/counter-financing of terrorism ("AML/CFT") system, which should include specific measures such as obtaining sufficient personal details of the customers (and suspend/terminate those who provide incomplete information), to apply enhanced due diligence and ongoing monitoring under certain circumstances e.g. transactions involving tainted wallet addresses or Virtual Assets with a higher risk or greater anonymity.

The cryptoexchange business of TiDeal are largely separated into three phases:

1. **Customer Acceptance/KYC:** is the process of TiDeal verifying the identity of its customers prior to the establishing of business relationships and assessing potential risks of illegal intentions of money laundering and/or terrorist financing for the same. Such process typically involves the collection and analysis of basic identity information, name matching against lists of known parties that are known to be politically exposed persons ("PEP"), determining customers' risks pertinent to money laundering, terrorist financing or identity theft and monitoring customers' transactions against behaviours that are illegal and/or suspicious.

2. **Financial/Credit Assessment/Monitor:** is the process of TiDeal monitoring its registered customers and the Projects on a regular basis for maintaining good business relationship. This is to ensure documents, data and information of the Customers are up-to-date and relevant.

3. **Client & Product Control/Monitor:** is the process of TiDeal monitoring the transactions of the Registered Users and ensuring that a proper segregation of Client's Asset and TiDeal's assets.

TiDeal has adopted a three-tier system for the KYC/AML process.

– **Customer due diligence ("CDD")** comprises the facts about an onboard customer that should enable an organisation to assess the extent to which the customer exposes it to a range of risks. The objective of CDD is to identify customers and verify their identities. CDD information is vital for recognising whether there are grounds for knowledge or suspicion of money laundering or terrorist financing. CDD is applied in all circumstances save for the circumstances mentioned below. The CDD measures applicable are (a) to identify the customer and verify the customer's identity using documents, data, or information provided by a reliable and independent source; (b) where there is a beneficial owner in relation to the customer and take reasonable measures to verify the beneficial owner's identity; and (c) to obtain information on the purpose and intended nature of the business relationship established with TiDeal Operator.

– **Simplified due diligence ("SDD")** is applied in relation to a business relationship or transaction if it determines that, taking into account its risk assessment, the business relationship or transaction presents a low money laundering/terrorist financing risk. SDD is applied to customers: (a) any institution subject to the regulations; (b) companies listed on an appointed stock exchange; (c) a public authority. SDD cannot be applied in specifically high risks scenarios which may include a client who is not physically present for identification purpose, a politically exposed person or where a risk assessment reveals a higher risk of money laundering.

– **Enhanced due diligence ("EDD")** is when additional due diligence is applied to customers that present a higher risk of money laundering and requires monitoring more frequently the transactions. Examples of potentially higher risk factors are separated in two main categories – (a) customer risk factors and (b) country risk factors. Examples of category (a) are legal arrangements that involve a shell vehicle without a clear and legitimate commercial purpose, the onboard customer or the beneficial owner of the onboard customer is a foreign political exposed person ("PEP"). Examples of category (b) are countries or jurisdictions identified by credible sources that do not have a significant level of corruption or criminal activity, countries that are subject to sanctions or similar measures issued by the United Nations.

The Group has nominated an officer as the AML officer (a) to receive disclosures of suspicious activity from the staff, (b) to communicate within departmental heads and their staff regarding internal management control on potential money laundering, (c) to exchange communication with Human Resources Department in terms of staff training on policies and procedures and (d) to report any suspicious activity to related serious organised crime authorities (the "AML Officer").

Our Operation Team ("OD") of TiDeal will continue to monitor every transaction whereby the registered user deposits and/or withdraws cryptocurrencies from his/her account, it required OD's approval. Our staffs are given training material to enable them to form suspicion or to recognize the signs when money laundering or terrorist financing may be taking place.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries of all Directors, each Director has confirmed that he has fully complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2018. Other employees of the Group who are likely to be in possession of unpublished inside information of the Company are also subject to compliance with guidelines on no less than exacting terms than the required standard of dealings set out in 5.48 to 5.67 of the GEM Listing Rules. No incident of non-compliance of the Written Guidelines by the relevant employees was noted by the Company.

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Each of the newly appointed Directors receives comprehensive and formal induction training on or before his appointment, so as to ensure that he/she has an appropriate understanding of the Company's business and the director's duties and responsibilities. In order to allow the Directors to understand the up-to-date development of regulatory and compliance issues, they are also provided with market news and regulatory updates. A summary of training received by the current Directors during the relevant period according to the records maintained by the Company is as follows:

Directors		Type of trainings
Mr. Chen Ping		B
Ms. Ma Jian Ying		B
Ms. Xie Bin	*(appointed on 18 April 2019)*	B
Mr. Tsang Chun Kit Terence		B
Mr. Wang An Zhong		B
Mr. Shi Guang Rong		B
Mr. Hsu Bin Chun	*(resigned on 25 May 2018)*	B
Mr. Leung Wah		A and B
Ms. Sun Ching	*(resigned on 31 December 2018)*	B
Ms. Wong Mei Ling		B
Mr. Qin Hui	*(appointed on 29 March 2019)*	B

Type of trainings:

A Participation in conferences, seminars or courses of formal education
B Private study of material relevant to directors' duties and responsibilities

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company 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).

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary, Mr. Lee Kin Chung Jacky. Mr. Lee supports the Board by ensuring good information inflow within the Board and that board policy and procedures are followed. Mr. Lee reports to the CO-Chief Executive Officers of the Company. Mr. Lee's biography is set out in the Biographies of Directors and Senior Management section of this annual report. During the year 2018, Mr. Lee undertook over 20 hours of professional training to update his skills and knowledge.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communication with the shareholders of the Company (the "Shareholders") and potential investors. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels including quarterly, interim and annual reports, announcements and circulars.

During the year ended 31 December 2018, an annual general meeting ("2018 AGM") and one special general meetings ("2018 SGM") were held. Notices of general meetings were sent to shareholders at least 20 clear business days before the annual general meeting and at least 10 clear business days for all other general meetings. The Company's auditors have also attended the annual general meeting in 2018. The Chairman and executive Director of the Board, Mr. Chen Ping, chaired the meetings.

The independent non-executive Directors, for the time when the general meetings were held in 2018, had other business engagements and thus, were not able to attend the general meetings held in 2018. The independent non-executive Directors was reminded to attend general meetings of the Company in future for compliance of code provisions A.6.7 as set out in the CG Code. The record of attendance of the Directors is set out in the section headed COMPOSITION OF THE BOARD OF DIRECTORS.

Shareholder Communication Policy

A written shareholder communication policy has been adopted by the Company on 21 March 2012, from which the general policy is extracted as follow:

1. The Board shall maintain its communication with the Shareholders and the potential investors as an on-going process, and shall regularly review this Policy to ensure its effectiveness.

2. The Company communicates with the Shareholders and the potential investors through various channels, including financial reports (annual, half-yearly and quarterly reports), annual general meetings and special general meetings, press release, road shows, investment conferences, announcements and circulars.

3. Information published by the Company pursuant to the GEM Listing Rules will be made available on the websites of the GEM and the Company (such as its history and developments, products and services, awards and achievements etc.) to enable the Shareholders and the potential investors to have better understanding of the Company and its latest development.

4. The Company shall ensure effective and timely dissemination of information to the Shareholders and the potential investors at all times. Any question regarding this Policy shall be directed to the Company Secretary.

Details of the Shareholder Communication Policy are published on the website of the Company.

Procedures for the Shareholders to Propose a Person for Election as a Director

The Company has also adopted procedures for Shareholders to propose a person for election as a director from which the nomination procedure is extracted as follow:

1. In accordance with bye-law 88 of the Bye-Laws, a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at a general meeting (the "Election Meeting") for which such notice is given of his intention to propose such person for election as director (the "Nominee") and also a notice signed by the Nominee of his/her willingness to be elected (the "Nominee's Notice", and together the "Running Notices") shall be lodged at the Company's head office or at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited.

2. According to bye-law 88 of the Bye-Laws, the minimum length of the period, during which such Running Notices are given, shall be at least seven (7) days and that (if the Running Notices are submitted after the dispatch of the notice of the Election Meeting) the period for lodgment of the Running Notices shall commence on the day after the dispatch of the notice of the Election Meeting and end no later than seven (7) days prior to the date of the Election Meeting. In this connection, the Running Notices shall be lodged within the seven-day (7-day) period commencing from the day after the dispatch of the notice of the Election Meeting.

3. The Nominee's Notice must include the biographical details of the Nominee as required by Rule 17.50(2) of the GEM Listing Rules. The Nominee shall warrant in the Nominee's Notice that the information provided is true and complete and undertake that he/she will discharge his/her duties as director upon election.

Details of the Procedures for the Shareholders to propose a person for election as a director are published on the website of the Company in compliance with Rule 17.50C of the GEM Listing Rules.

Procedures for Shareholders to Propose Convening Special General Meeting

Pursuant to bye-law 58 of the Bye-laws, shareholders 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 a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Act").

The written requisition must state the purposes of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders. Such written requisition can be addressed to the Company Secretary in writing by mail to the Company's head office in Hong Kong.

If the requisition is in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid, the shareholder(s) concerned will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

Pursuant to Section 74(3) of the Act, if the directors do not within twenty-one (21) days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Shareholders' Enquiries

The Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company Secretary at the Company's head office in Hong Kong.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Sustainability and environmental conservation is a significant issue for our customers, shareholders, government and the general public. We separate no effort in managing and maintaining good corporate governance, and strives to integrate corporate social responsibility into its business strategy and management approach. We works to advance environmental and social progress and conduct business in a way that creates value for our clients and employees.

PREPARATION BASIS AND SCOPE

The content of this ESG report is prepared in accordance with the ESG Reporting Guide set out in Appendix 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) to make relevant disclosure of sustainability performance in material aspects of the guide.

The scope of reporting covers our core business segments in (i) rental of energy-saving air-conditioners, (ii) trading business, (iii) money lending business, (iv) securities trading business, and (v) blockchain technology related business. We had taken the stakeholder’s opinion in the determination of the reporting scope.

COMMITMENT TO ENVIRONMENT

Emissions

The Group strives to achieve environmental sustainability of the business and to fulfil the obligation of reducing the impact of the operations and the resources and materials consumed each day.

The main source of emissions from the business activities of the Group is greenhouse gas emissions from the consumption of electricity. To minimise the emissions, energy saving practices had been implemented including:

– Consider to take public transport instead of driving;

– Use telephone conferencing to replace business trips; and

– Recycling toner cartridge.

Use of Resources

The Group places a high priority on the efficient use of resources and strives to improve the efficient use of natural resources, including energy such as minimize waste streams and emissions and implement effective recycling program. Practical measures are implemented as follows:

A. Waste management

Due to the nature of core business activities, the Group does not produce material level of air or water pollutions to the environment. The non-hazardous waste generated is mainly paper and office consumables. The Group encourages its staff to reduce wastes and promote a green environment for office with basic principles – Reduce, Reuse and Recycle.

B. Use of paper

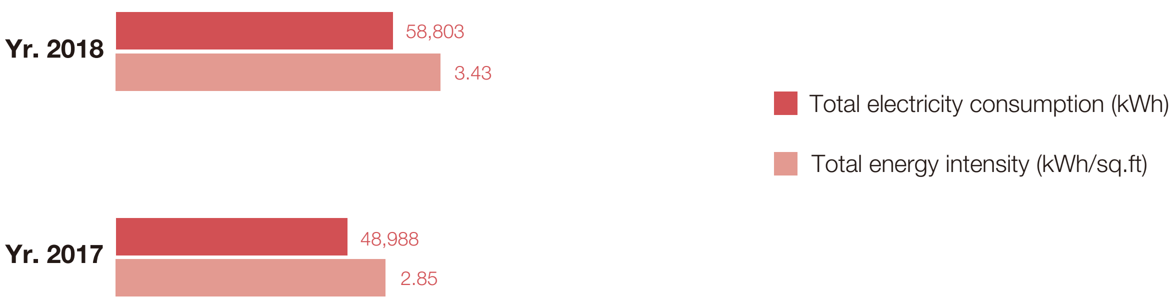
The Group monitors its paper consumption and implement the following reduction measures:

- Encourage to use electronic means of communications/circulation and promote the paperless working environment;
- Recommend the shareholders to read Annual Report, Interim Report and Circular etc. on the official website to replace the need of receiving hard copies;
- Use of environmentally friendly paper;
- Adopt double sided printing for an informal document; and
- Recommend 2-on-1 page copying or printing.

C. Use of electricity

The Group's major source of carbon emissions is the use of electricity. The Group has launched the following green measures for energy conservation and reduction of carbon emission:

- Set computers as the sleep mode when they are not in use;
- Use more natural light to reduce the use of lighting devices;
- Unnecessary lighting and power supply are switched off when they are not in use; and
- Control indoor air-conditioner temperature



D. Use of water

Although the Group does not consume material amounts of water in the business activities, the Group also encourages saving water by driving behavioral changes in the workplace. Green messages are posted in pantries as reminders for using water efficiency. Employee are also encouraged to report leaking faucet or pipe to the relevant authority and turn off the tap when not in use.

The Environmental and Natural Resources

Since the Group is principally engaged in the business which have minimal direct impact to the environment, other than wastes generated from administrative works as well as energy use, there is no particular hazardous waste noted in our business activities.

SOCIAL

Employment

Being in the financial services industry, people are the most valuable asset that drives the long-term development and sustainability of the Group.

A. Employment care

The Group has established and implemented a set of human resources management policies and procedures in place with the aim to provide ideal working environment to its staff in order to comply with local employment laws and regulations.

The Group's staff handbook sets out the Group's standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The remuneration management aims to attract potential employees and motivate current staff. Employees receive social welfare benefits and other benefits. All employees are treated equally and their employment, remuneration and promotion opportunities will not be affected by their nationality, race, age, sexual orientation, disability or religious beliefs.

B. Promotion

Besides salary adjustment, our employees join the annual performance appraisal. Those who show outstanding work performances will be entitled a job promotion. The Group will also consider promoting staff who works long enough with us and continues to have work performance that meet our required standard.

C. Equal opportunities, diversity and inclusion

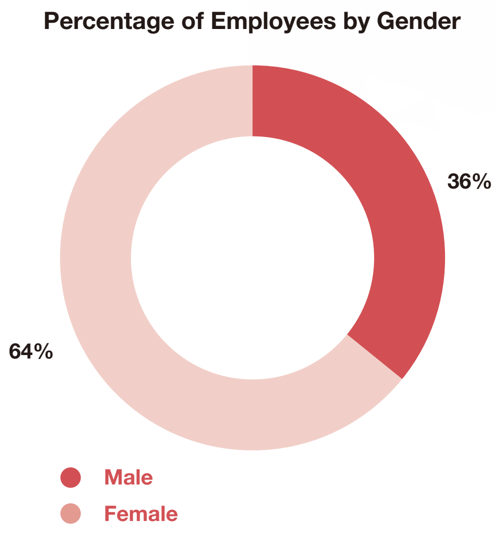
As the employees of the Group are one of the key stakeholders, diversity and equal opportunity from part of our people strategy. Our employment practices support the building of an inclusive work environment free from discrimination such as gender, age, nationality, sexual, orientation, family status,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

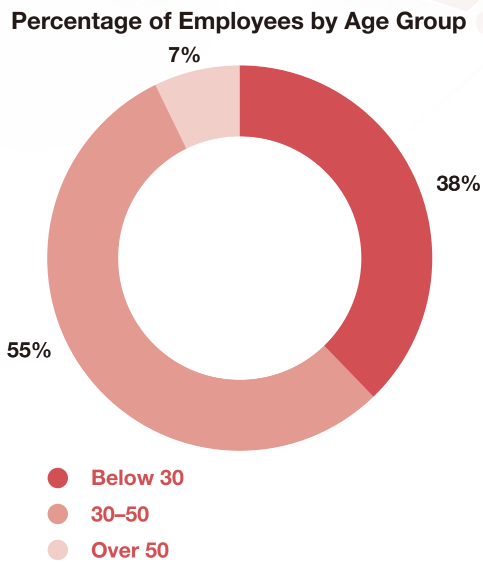
D. Employment benefit

The Group has established a comprehensive remuneration and performance appraisal policy. The Group regularly review and evaluate the performance and development of the employees. In addition to statutory employee benefits for our full time staff including Mandatory Provident Fund (MPF), social security scheme and leaves for paternity, funeral and sickness, the Group also offer festival bonus, travel allowance and working meal.

E. Communication with employees

The Group listed to the staff, value their opinion and demand with an open and cooperative attitude to maintain mutual trust. The Group keeps the staff abreast of the latest news about management policy and operational strategy by means of email, meeting and announcement. Meanwhile, face-to-face discussion is encourage to understand their views and thoughts.





	Sustainability Data Statement – Social Percentage 2018	2017
By Geographic Region		
Hong Kong	**16%**	51%
PRC	**76%**	49%
Taiwan	**8%**	–
By Gender		
Male	**64%**	56%
Female	**36%**	44%
By Age Group		
Below 30	**38%**	18%
30-50	**55%**	60%
Over 50	**7%**	22%

Health and Safety

In the daily operation of the Group, there is no significant hazards as compared to industries like manufacturing and mining, etc. The Group aims to enhance wellness of the employee by providing a harmonious and comfortable environment. The Group has adhered with related laws and regulations, such as Occupational Safety and Health Ordinance in Hong Kong. The Group have implemented measure in the following aspects:

A. Providing and maintaining safe working environment

Office are maintained in a good lighting conditions which enables the staffs to see comfortably and avoid possible danger. Fluorescent lights recessed into the false ceiling and fitted with louver or diffuser to control glare and distribution of light. Blinds or curtains should be used to prevent glare and control the lighting level.

Heavy manual handling work should be minimised in the office. Risk assessment should be conducted for unavoidable manual handling operations before it is undertaken.

All the fire safety equipment has to be checked and complied with the fire safety rules in the office. First aid box has been placed in the office. The items as required to be provided in the first aid box are in compliance with the regulation of Occupational Safety and Health Council as issued by the Labor Department.

B. Indoor air quality and ventilation

Smoking is prohibited in all workplace and indoor areas of the office. The indoor temperature and humidity are controlled in an optimum level to make the workplace more comfortable and help preventing bacteria from flourishing. Air outlets to be cleaned regularly in the office to reduce the dust level of indoor air and increase efficiency of the ventilation system.

Developing and Training

Since the Group is subjected to various ordinances, rules and guidelines which amended from time to time, our staff is required to update their knowledge and skills to maintain their professional competence to remain fit and proper.

We provides diversified on-the-job training to employees in order to enhance their professional skills and knowledge required at work. We also encourages self-development of employees through taking up of external training programs relevant to their jobs and attending job-related trainings or seminars. It's believed that the development of employee is crucial to the sustainable development of the business.

Labour Standards

According to the "Code of Conduct" in the Group's staff handbook, the Group strives to provide a fair, equal opportunity, respectful and pleasant work environment to all employees. All practices are designed to ensure that all individuals of the corporation are recruited, hired, compensated and retained on the basis of their qualifications, experience and/or the terms and conditions and treated equally in these respects without the consideration of race, color, creed, religious beliefs, sex, age, marital status, national origin, disability or family status.

The Group also takes effective procedures to maintain the working environment free from all forms of discrimination and harassment. There is no material risk related to the recruitment of child labour as the Group's core business requires employee equipped with specialised skills and adequate educational background. Any form of forced labour is prohibited by the Group.

We has been in strict compliance with the requirements of the legislation on anti-discrimination in Hong Kong, including Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination and Race Discrimination Ordinance.

Supply Chain Management

The suppliers are mainly engaged in the provision of electronic products and energy-saving air-conditions. The Group encourages its suppliers and service providers to maintain a high standard of business ethics on the environmental and social issues. The Group has a procurement management measures to control the quality of products and services from suppliers, to control the selection of suppliers and to evaluate suppliers. The Group is committed to cultivating good relationships with the business partners and maintaining management and control of the supply chain.

The Group performed on-site supplier audits to ensure that the goods and services provided to the Group are with high quality. The Group requires the suppliers of goods and services possess required professional skills, stable quality and good compliance on laws and regulations.

The Group encourages its employees, suppliers and customers to report any incidence involving violations and laws or regulations. There is no violation of laws and regulations found during the reporting period.

Product Responsibility

The Group is committed to provide products that are safe, environmentally friendly and energy-saving. The Group recognises that customer satisfaction is one of the most important competitive attribute of the Group. In this regards, the Group has maintained a customer service hotline to deal with customer inquiries and complaints.

Data Privacy

Ensuring the privacy of customer information is among the Group's most important responsibilities in maintaining the reputation and trust. The Group complies with all data privacy regulations and guides staff in protecting the data and privacy of customers. Specific process for the handling and protection of customer data are set out in the relevant internal procedure manual which ensures appropriate measures are in place to protect personal data against unauthorised use or access. The Group also ensures that customers' personal data is securely kept and processed only for the purposes for which it has been collected. Staff are provided with adequate training in compliance with the Personal Data (Privacy) Ordinance, to strengthen their knowledge regarding safeguarding of personal data.

Anti-corruption

The Group promotes a corporate culture of integrity and creates an ethical corporate culture and practices of anti-corruption and does not tolerate any acceptance of bribery, extortion, fraud and money laundering.

This policy sets forth procedures for customer screening and monitoring requirements, "know your client" policies, record keeping requirements, and reporting suspicious circumstances in accordance with the relevant laws, codes and guidelines issued by regulatory authorities. All the new staff are required to be trained in accordance with the code of conduct.

The Board of Directors sets a tone of zero tolerance on bribery, extortion and fraud. This is reflected in our business and staff policies, as well as our operational procedures, as we are determined to prevent any corruption by raising employee's awareness of anti-corruption. We endeavor to maintain sound corporate governance and risk management to protect the interest of stakeholders. The Group is also in strict compliance with Listing Rules and Securities and Futures Ordinance to forbid any fraudulent behavior in the capital market.

The Group implements measures for various businesses to prevent money laundering and financing for improper purposes through our Group by clients. Prior to offering credit and informediary products and services, we verify the identity of our clients; require real name authentication for clients of third party payment platform to avoid fraudulent card payment. We keep an eye on work process to ward off any participation of money laundering activities by our employees.

During the reporting period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

Community Involvement

As a responsible corporation, the Group is committed to participate in the community events and charity activities to the improvement of social well-being. The Group actively encourages staff to participate in charitable events, which would inspire more people to take part in serving the community.

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 28 to the consolidated financial statements.

BUSINESS REVIEW

The Group's business review for the year ended 31 December 2018 is set out from pages 5 to 7 of this annual report.

KEY RISK FACTORS

The principal risks faced by the Group are set out in page 12 of this annual report. As it is a non-exhaustive list, there may be other risks and uncertainties further to the disclosure. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgement or consult professionals before making any investment in the securities of the Company.

FINANCIAL KEY PERFORMANCE INDICATORS

For the year ended 31 December 2018, the Group's total revenue decreased by 6.5% to approximately HK$180,827,000 (2017: HK$193,460,000). Loss attributable to owners of the Company increased by 171.9% to approximately HK$139,188,000 (2017: HK$51,192,000). Loss per share attributable to owners of the Company for the year were approximately HK$13.43 cents (2017: approximately HK$5.55 cents). The increase in loss was mainly due to the increase in administrative and other operating costs attributable to the blockchain technology related business.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil). The current ratio was approximately 8.26 (2017: 11.43). Since the Group has net cash of HK$48,686,000 (2017: HK$103,376,000), the Group's financial position remained solid.

SEGMENT INFORMATION

The analysis of the business and geographical segments of the operations of the Group are set out in Note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the five largest customers accounted for approximately 74.4% of the Group's total revenue. The five largest suppliers accounted for approximately 94.5% of the Group's total purchases. In addition, the largest customer accounted for approximately 38.9% of the Group's total revenue while the largest supplier accounted for approximately 49.9% of the Group's total purchases.

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report.

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

Directors' Report

GROUP FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group announced in previous years are set out on page 3 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and share options of the Company are set out in Note 26 and 27 to the consolidated financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws, or laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 29 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 13 to the consolidated financial statements.

CONNECTED TRANSACTIONS CONTINUING CONNECTED TRANSACTION

The Group entered into the following connected transactions and continuing connected transaction with Tide Digital Financial Holdings Limited ("Tide Digital") has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules:

Connected Transaction with Tide Digital in relation to consultancy services

On 18 October 2017, the Company and Tide Digital Financial Holdings Limited ("Tide Digital") entered into a consultancy agreement (the "Consultancy Agreement") in relation to providing consultancy services for expanding the securities trading business of the Group.

Pursuant to the Consultancy Agreement, Tide Digital provides consultancy services to the Company for expanding securities business of the Group. The aggregate service fee payable by the Company will be HK$2,850,000.

Continuing Connected Transaction with Tide Digital in relation to leasing services

On 7 December 2017, Tide Global Exchange Technology Limited ("Tide Global Exchange), an indirect wholly-owned subsidiary of the Company, entered into a licence agreement ("Licence Agreement") with Tide Digital in respect of the leasing of a system for developing the new global securities trading system (the "Continuing Connected Transaction").

Pursuant to the Licence Agreement, Tide Digital provides the framework and source code of its online operating trading system based on distributed ledger technology to Tide Global Exchange for developing and operating a new global trading system. Tide Digital will also provide Tide Global Exchange with technical support services to refine the global securities trading system and provision of maintenance services.

The Continuing Connected Transaction has been reviewed by the independent non-executive Directors. The independent non-executive Directors have confirmed that the Continued Connected Transactions have been entered into:

(a) In the ordinary and usual course of business of the Group;

(b) Either on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as the case may be) independent third parties;

(c) In accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(d) Within the respective cap amounts as disclosed in the previous announcements in which the relevant Continuing Connected Transactions were disclosed.

The Company's auditor was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has confirmed in a letter to the Board that (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction has been approved by the Company's board of directors; (ii) were not entered into in all material respects in accordance with the relevant agreements governing such transactions; (iii) had exceeded the caps disclosed in the announcement of the Company dated 7 December 2017; and (iv) were not, in all material respects in accordance with the pricing policies of the Group.

Tide Digital, is ultimately owned as to 85%, by Mr. Chen Ping *(Chairman and executive Director of the Board)* and 15% by Ms. Ma Jian Ying (CO-Chief Executive Officer and executive Director of the Board). Accordingly, Tide Digital is a connected person of the Company for the purpose of Chapter 20 of the Gem Listing Rules.

During the year ended 31 December 2018, the transactions carried out pursuant to the Licence Agreement as following is continuing connected transaction exempted from the independent Shareholders' approval requirement but are still subject to the reporting and announcement requirements under the Listing Rules.

Nature of transactions	For the year ended 31 December 2018 HK$'000	Annual cap HK$'000
Consultancy fee for consultancy services by Tide Digital	–	855
License fee for leasing services of an online operating trading system	9,360	10,860

Apart from the aforesaid Connected Transaction and Continuing Connected Transaction entered into by the Group during the year ended 31 December 2018 which do not constitute connected transactions or continuing connected transactions under the Chapter 20 of the Gem Listing Rule are disclosed in Note 32 to the consolidated financial statements.

DIRECTORS

The Directors up to the date of this annual report were:

Executive Directors

Mr. Chen Ping *(Chairman)*
Ms. Ma Jian Ying *(CO-Chief Executive Officer)*
Ms. Xie Bin *(CO-Chief Executive Officer)*
Mr. Tsang Chun Kit Terence
Mr. Wang An Zhong

Non-executive Directors

Mr. Shi Guang Rong

Independent non-executive Directors

Mr. Leung Wah
Ms. Wong Mei Ling
Mr. Qin Hui

Pursuant to bye-law no. 87(1) of the Company's bye-laws (the "Bye-laws"), at least one-third of the Directors shall retire from office by rotation and pursuant to bye-law no. 86(2) of the Bye-laws, any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. In this connection, Mr. Xie Bin, Mr. Leung Wah and Mr. Qin Hui will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. None of the independent non-executive Directors had served the Company for more than 9 years. The Board considers the independent non-executive Directors remained independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of the Directors and senior management of the Group are set out in pages 17 to 19 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2018, interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of underlying shares held under share options	Percentage of the issued share capital of the Company
Mr. Chen Ping	Beneficial owner	10,356,000	1.00%
Ms. Ma Jian Ying	Beneficial owner	10,356,000	1.00%
Mr. Tsang Chun Kit Terence	Beneficial owner	10,356,000	1.00%
Mr, Hsu Bin Chun *(resigned on 25 May 2018)*	Beneficial owner	3,108,000	0.30%
Mr. Shi Guang Rong	Beneficial owner	1,032,000	0.10%

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2018 as defined in Section 352 of the SFO. In addition, at no time during the year had the Directors and chief executives of the Company (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

A share option scheme has been adopted and approved by the shareholders of the Company at the annual general meeting held on 9 May 2012 (the "Share Option Scheme"). The 10% limit of the Share Option Scheme (the "Scheme Mandate Limit") has been refreshed on 13 May 2015 and 3 May 2016. As at the date of this annual report, the Scheme Mandate Limit refreshed on 3 May 2016 has not yet been utilised and the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 57,576,612 shares after taking into account the effect of consolidation of the shares became effective on 8 December 2016. As at 31 December 2018, the Company has 57,897,500 options outstanding which represented approximately 5.59% of the total number of issued shares of the Company as at that date.

The following table discloses movements in the Company's share options during the year ended 31 December 2018:

Category of participants	Date of share options granted	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Adjusted exercise price HK$	Exercise period
Directors	11 January 2018	–	35,208,000	–	(3,108,000)	32,100,000	0.370	11 January 2018 – 9 May 2022
Employees and adviser	18 January 2016	12,259,000	–	–	(6,129,500)	6,129,500	0.488 *(Note)*	18 January 2016 – 9 May 2022
	11 January 2018	–	19,668,000	–	–	19,668,000	0.370	11 January 2018 – 9 May 2022
		12,259,000	54,876,000	–	(9,237,500)	57,897,500		

Note:

Adjustments were made to the exercise price and the number of shares of the Company comprised in the outstanding share options which may be allotted and issued upon exercise as a result of the right issues completed on 12 May 2017. Details of the adjustments to the outstanding share options, please refer to the announcement of the Company dated 11 May 2017.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, the interests or short positions of person in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of Shareholders	Number of shares Interested	Capacity in which shares are held	Percentage of issued share capital
Mr. Sun Li Jun	129,547,378	Beneficial owner	12.50%
Mr. Zhu Wei Sha	93,475,000	Beneficial owner	9.02%
Yuxing InfoTech Investment Holdings Limited *(Note 1)*	80,880,000	Interest in controlled corporation	7.80%
Yuxing Group (International) Limited *(Note 1)*	80,800,000	Interest in controlled corporation	7.80%
Yuxing Technology Company Limited *(Note 1)*	80,800,000	Beneficial owner	7.80%

Note:

1. 80,880,000 shares of the Company are held by Yuxing Technology Company Limited which is a wholly-owned subsidiary of Yuxing Group (International) Limited, which in turns is wholly owned by Yuxing InfoTech Investment Holdings Limited. By virtue of the provisions of Part XV of the SFO, each of Yuxing Group (International) Limited and Yuxing InfoTech Investment Holdings Limited was deemed to be interested in the shares of the Company in which Yuxing Technology Company Limited was interested.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other person (other than the directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company established an audit committee with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee include the review and supervision of the financial reporting process, the internal monitoring system and risk management system of the Group. As at the date of this annual report, the audit committee has three members comprising Mr. Leung Wah, Ms. Wong Mei Ling and Mr. Qin Hui, the three independent non-executive Directors. The audit committee met 11 times during the year. The Group's audited financial results for the year have been reviewed by the audit committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal reporting and monitoring system of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the year, no material matters were identified and reported by the audit committee to the Board.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of not less than 25% of the Company's issued share as required under the GEM Listing Rules.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, except for deviations from code provisions A.2.1 and A.6.7 which is explained in the section headed "Corporate Governance Report", the Group has complied with all code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the accounting period covered by this annual report. A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in Note 37 to the consolidated financial statements.

AUDITORS

The Company's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), who retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of HLB as the auditors of the Company for the forthcoming year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Ma Jian Ying
CO-Chief Executive Officer and Executive Director

Hong Kong, 30 April 2019

Independent Auditors' Report

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

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

TO THE SHAREHOLDERS OF GLOBAL TOKEN LIMITED
(FORMERLY KNOWN AS GLOBAL ENERGY RESOURCES INTERNATIONAL GROUP LIMITED)
(Continued in Bermuda with limited liability)

Qualified Opinion

We have audited the consolidated financial statements of Global Token Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 134, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Qualified Opinion

As disclosed in Note 6 to the consolidated financial statements, the revenue of the Group for the year ended 31 December 2018 includes commission and service income from provision of Blockchain technology related business in relation to cryptocurrencies trading platform of approximately HK$6,123,000. We were unable to obtain sufficient appropriate audit evidence regarding the validity and occurrence of the commission and service income because we were unable to carry out effective confirmation procedures in relation to the above revenue for the purpose of our audit and there was inadequate documentary evidence available for us to satisfy ourselves about the occurrence of the transactions which gave rise to these commission and service income. There was no satisfactory alternative audit procedures that we could perform to satisfy ourselves as to whether the above sales revenue and related elements in the consolidated financial statements were free from material misstatement and whether the activities of the Group from provision of Blockchain technology related business in relation to cryptocurrencies trading platform had given rise to actual or contingent liabilities which have not been recorded or recognised by the Group in the consolidated financial statements. Any adjustments that might have been found necessary may have a significant effect on the Group's net assets at 31 December 2018 and its financial performance and cash flows for the year then ended and the related disclosures thereof in the consolidated financial statements.

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matters
Impairment loss on cryptocurrencies	
Refer to Notes 4 and 20 to the consolidated financial statements	
As at 31 December 2018, the Group held the cryptocurrencies with carrying amount of approximately HK$32,858,000. Management has performed impairment assessment in relation to the cryptocurrencies and concluded that there is an impairment loss on the cryptocurrencies amounting to approximately HK$54,545,000 as at 31 December 2018, which was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. The determination of the recoverable amount of the cryptocurrencies held by the Group was based on their fair values, which were estimated based on analysis of available information for the reference prices in the relevant cryptocurrencies markets and required significant management judgement with respect to the marketability and liquidity of the cryptocurrencies held by the Group and involved high degree of estimation uncertainty because the cryptocurrencies held by the Group include those which are relatively non-mainstream cryptocurrencies in the market.	Our procedures in relation to management's impairment assessment included: • Evaluation of the management's assumptions on the recoverable amount based on fair value of the cryptocurrencies by comparing the trend of historical data and taking into consideration of the latest market conditions; • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions used in the fair value measurement based on our knowledge of the relevant industry and using our experts; • Challenging the reasonableness of the key assumptions used based on our knowledge of the business and industry; and • Checking, on a sample basis, the accuracy and relevance of the market trend and data. We found the key assumptions were supported by the available evidence.
Impairment assessment on goodwill	
Refer to Notes 4 and 15 to the consolidated financial statements	
The Group has the goodwill with aggregate amount approximately of HK$8,574,000 in relation to money lending business and securities trading business segments. Management performed impairment assessment of money lending business and securities trading business and concluded that there is an impairment loss of approximately HK$2,365,000 in respect of the goodwill for the year. This conclusion was based on value-in-use model that required significant management judgment with respect to the discount rate and underlying cash flows, in particular future revenue growth rate and capital expenditure. Independent external valuations were obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables Refer to Notes 4, 17 and 34 to the consolidated financial statements As at 31 December 2018, the Group had gross trade receivables of approximately HK$83,905,000 and provision for impairment of approximately HK$561,000. In general, the credit terms granted by the Group to the customers ranged between 30 to 180 days. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to management's impairment assessment of the trade receivables as at 31 December 2018 included: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about (i) the validity and occurrence of the commission and service income to satisfy ourselves as to whether these sales revenue and related elements in the consolidated financial statements were free from material misstatement and (ii) whether the activities of the Group from provision of Blockchain solution services in relation to cryptocurrencies trading platform had given rise to actual or contingent liabilities which have not been recorded or recognised by the Group in the consolidated financial statements. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of directors and the audit committee for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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.

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements *(Continued)*

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 30 April 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**180,827**	193,460
Cost of sales		**(164,764)**	(177,754)
Gross profit		**16,063**	15,706
Other revenue	6	**138**	17
Other gains and losses	7	**(3,461)**	(1,082)
Impairment loss on cryptocurrencies		**(54,545)**	–
Impairment loss on intangible asset	14	**–**	(30,866)
Impairment loss on goodwill	15	**(2,365)**	–
Loss on disposal of subsidiaries	31	**(22,791)**	–
Selling and distribution expenses		**(2,447)**	(1,666)
Administrative and other operating expenses		**(85,117)**	(38,946)
Loss from operations		**(154,525)**	(56,837)
Finance costs	8	**–**	(797)
Loss before taxation	9	**(154,525)**	(57,634)
Taxation	10	**(92)**	–
Loss for the year		**(154,617)**	(57,634)
Other comprehensive (loss)/income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(8,004)**	13,883
Reclassification adjustments relating to foreign operations disposed of during the year		**172**	–
Other comprehensive (loss)/income for the year, net of income tax		**(7,832)**	13,883
Total comprehensive loss for the year		**(162,449)**	(43,751)
Loss for the year attributable to			
Owners of the Company		**(139,188)**	(51,192)
Non-controlling interests		**(15,429)**	(6,442)
		(154,617)	(57,634)
Total comprehensive loss for the year attributable to			
Owners of the Company		**(143,746)**	(43,293)
Non-controlling interests		**(18,703)**	(458)
		(162,449)	(43,751)
Loss per share attributable to owners of the Company for the year			
Basic and diluted (HK$ cents)	11	**(13.43)**	(5.55)

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	13	21,397	37,992
Intangible asset	14	–	73,646
Goodwill	15	8,574	10,939
Other assets	16	400	400
Cryptocurrencies	20	32,858	–
		63,229	122,977
Current assets			
Trade receivables	17	83,344	84,806
Other receivables, deposits and prepayments	18	9,973	19,895
Loans receivable	19	11,937	40,374
Amounts due from related companies	21	5,640	5,162
Client trust bank balances	22	2,160	1,925
Cash and cash equivalents	22	48,982	104,902
		162,036	257,064
Current liabilities			
Trade payables	23	10,377	12,988
Accruals, deposits received and other payables	24	8,841	7,969
Amounts due to related parties	25	296	1,526
Tax payable		92	–
		19,606	22,483
Net current assets		142,430	234,581
Total assets less current liabilities		205,659	357,558
Net assets		205,659	357,558
Equity			
Share capital	26	41,455	41,455
Reserves		190,848	324,044
Total equity attributable to owners of the Company		232,303	365,499
Non-controlling interests		(26,644)	(7,941)
Total equity		205,659	357,558

Approved and authorised for issue by the board of directors on 30 April 2019 and signed on its behalf by:

Chen Ping *Director*	**Ma Jian Ying** *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Capital reserve *(note (i))* HK$'000	Share premium HK$'000	Special reserve *(note (ii))* HK$'000	Statutory reserve *(note (iii))* HK$'000	Share-based payment reserve *(note (iv))* HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	23,031	1,030	514,940	11	324	34,875	(16,461)	(286,580)	271,170	(7,483)	263,687
Placing of new shares *(Note 26)*	4,606	–	33,279	–	–	–	–	–	37,885	–	37,885
Transaction costs relating to placing of new shares	–	–	(77)	–	–	–	–	–	(77)	–	(77)
Rights issue *(Note 26)*	13,818	–	89,820	–	–	–	–	–	103,638	–	103,638
Transaction costs relating to rights issue	–	–	(3,824)	–	–	–	–	–	(3,824)	–	(3,824)
Lapse of share options	–	–	–	–	–	(30,827)	–	30,827	–	–	–
Transaction with owners	18,424	–	119,198	–	–	(30,827)	–	30,827	137,622	–	137,622
Net loss for the year	–	–	–	–	–	–	–	(51,192)	(51,192)	(6,442)	(57,634)
Other comprehensive income/(loss) net of income tax: Exchange differences on translating foreign operations	–	–	–	–	–	–	7,899	–	7,899	5,984	13,883
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	7,899	(51,192)	(43,293)	(458)	(43,751)
At 31 December 2017	41,455	1,030*	634,138*	11*	324*	4,048*	(8,562)*	(306,945)*	365,499	(7,941)	357,558
Impact on initial application of HKFRS 9	–	–	–	–	–	–	–	(1,537)	(1,537)	–	(1,537)
Restated balance at 1 January 2018	41,455	1,030	634,138	11	324	4,048	(8,562)	(308,482)	363,962	(7,941)	356,021
Issue of share options	–	–	–	–	–	12,087	–	–	12,087	–	12,087
Lapse of share options	–	–	–	–	–	(2,709)	–	2,709	–	–	–
Transaction with owners	–	–	–	–	–	9,378	–	2,709	12,087	–	12,087
Net loss for the year	–	–	–	–	–	–	–	(139,188)	(139,188)	(15,429)	(154,617)
Other comprehensive loss net of income tax: Exchange differences on translating foreign operations	–	–	–	–	–	–	(4,558)	–	(4,558)	(3,274)	(7,832)
Total comprehensive loss for the year	–	–	–	–	–	–	(4,558)	(139,188)	(143,746)	(18,703)	(162,449)
At 31 December 2018	41,455	1,030*	634,138*	11*	324*	13,426*	(13,120)*	(444,961)*	232,303	(26,644)	205,659

* The aggregated amount of these balances of approximately HK$190,848,000 (2017: approximately HK$324,044,000) in surplus is included as reserves in the consolidated statement of financial position.

Notes:

(i) The capital reserve of the Group represents a capital contribution by a shareholder company during the year ended 31 December 2007.

(ii) The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2002.

(iii) Subsidiary of the Company establish in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior year losses) to the statutory reserve fund account in accordance with the PRC Company law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.

(iv) Share-based payment reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised in other operating expenses with a corresponding increase in the share-based payment reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss before taxation		(154,525)	(57,634)
Adjustments for:			
Commission and service income from trading platform business		(6,123)	–
Interest income		(53)	(14)
Loan interest income		(3,136)	(3,196)
Finance costs	8	–	797
Depreciation	13	12,189	11,365
Loss on disposal of cryptocurrencies	7	65	–
Impairment loss on cryptocurrencies		54,545	–
Net gain on financial assets at fair value through profit or loss	7	–	(3,148)
Equity-settled share-based payment	9	12,087	–
Loss on disposal of property, plant and equipment	9	636	25
Impairment loss on other assets	9	–	577
Impairment loss on intangible assets	14	–	30,866
Impairment loss on property, plant and equipment	13	4,002	–
Impairment loss on goodwill	15	2,365	–
Loss allowance on financial assets at amortised cost	7	4,652	3,645
Reversal of loss allowance on financial assets at amortised cost	7	(1,247)	–
Loss on disposal of subsidiaries	31	22,791	–
Operating loss before working capital changes		(51,752)	(16,717)
Increase in trade receivables		(3,344)	(9,990)
Decrease in other receivables, deposits and prepayments		471	1,300
Decrease/(increase) in loans receivable		29,000	(13,000)
Increase in client trust bank balances		(235)	(1,108)
Increase in amounts due from related companies		(548)	–
(Decrease)/increase in trade payables		(2,337)	963
Increase/(decrease) in accruals, deposits received and other payables		872	(593)
(Decrease)/increase in amounts due to related parties		(1,214)	1,214
Cash used in operating activities		(29,087)	(37,931)
Loan interest received		2,539	3,025
Interest paid		–	(797)
Net cash used in operating activities		(26,548)	(35,703)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Interest received		**5**	14
Net cash outflow from disposal of subsidiaries	31	**(52)**	–
Purchase of property, plant and equipment	13	**(2,354)**	(387)
Proceeds from disposals of financial assets at fair value through profit or loss		**–**	9,978
Proceeds from disposals of property, plant and equipment		**546**	646
Proceeds from disposals of cryptocurrencies		**1,030**	–
Purchases of cryptocurrencies		**(27,743)**	–
Net cash (used in)/generated from investing activities		**(28,568)**	10,251
Cash flows from financing activities			
Proceeds from placing of new shares	26	**–**	37,885
Payment for transaction costs of placing of new shares	26	**–**	(77)
Proceeds from right issues	26	**–**	103,638
Payment for transaction costs of right issues	26	**–**	(3,824)
Repayment for obligation under finance lease		**–**	(392)
Repayment for other borrowings		**–**	(21,000)
Net cash generated from financing activities		**–**	116,230
Net (decrease)/increase in cash and cash equivalents		**(55,116)**	90,778
Cash and cash equivalents at beginning of the year		**104,902**	13,925
Effect of foreign exchange rate changes		**(804)**	199
Cash and cash equivalents at end of the year		**48,982**	104,902

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL INFORMATION

Global Token Limited is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Room 3008–10, 30th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Exchange").

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 28.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Impact on the consolidated financial statements

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

Consolidated statement of financial position (extract)	**At 31 December 2017** HK$'000	**HKFRS 9** HK$'000	**At 1 January 2018** HK$'000
Current assets			
Trade receivables	84,806	(425)	84,381
Other receivables, deposits and prepayments	19,895	(291)	19,604
Loans receivable	40,374	(529)	39,845
Amounts due from related companies	5,162	(292)	4,870
Net current assets	234,581	(1,537)	233,044
Total assets less current liabilities	357,558	(1,537)	356,021
Net assets	357,558	(1,537)	356,021
Equity			
Reserves	324,044	(1,537)	322,507
Total equity	357,558	(1,537)	356,021

(b) HKFRS 9 Financial Instruments

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) HKFRS 9 Financial Instruments *(Continued)*

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

Accounting policies resulting from application of HKFRS 9 disclosed in Note 3.

Summary of effects arising from initial application of HKFRS 9

Below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

(i) Classification and measurement

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39 's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVTPL, if the investment does not meet the criteria for being measured at amortise cost or FVTOCI (recycling). Changes in the fair value of the investment (including) interest are recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) HKFRS 9 Financial Instruments *(Continued)*

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

(i) Classification and measurement *(Continued)*

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

There is no reclassification or remeasurement of the financial assets, including cash and cash equivalents, trade receivables, other receivables and deposits for the adoption of HKFRS 9.

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

(ii) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on internal credit rating and/or past due analysis. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables and deposits and amounts due from related companies are assessed on 12–month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

ECL for part of the loans receivable at amortised cost are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition, while the remaining are assessed on lifetime ECL basis.

Client trust bank balances and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) HKFRS 9 Financial Instruments *(Continued)*

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

(ii) ***Impairment under ECL model*** *(Continued)*

All loss allowances including trade receivables and other financial assets at amortised cost as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables HK$'000	Other receivables and deposits HK$'000	Loans receivable HK$'000	Amounts due from related companies HK$'000	Total HK$'000
At 31 December 2017 – HKAS 39	–	2,389	–	–	2,389
Amounts re-measured through opening retained earnings	425	291	529	292	1,537
At 1 January 2018 – HKFRS 9 (restated)	425	2,680	529	292	3,926

The impact of these changes on the group's equity is as follows:

	Accumulated losses HK$'000
At 31 December 2017 – HKAS 39	(306,945)
Impairment under ECL model	(1,537)
At 1 January 2018 – HKFRS 9 (restated)	(308,482)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(c) HKFRS 15 Revenue from Contracts with Customers

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

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

(i) Revenue from trading of electronic products

(ii) Brokerage and commission income from securities dealing

(iii) Commission and service income from cryptocurrencies trading platform business

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Note 3 to the consolidated financial statements.

As a result of the changes in the Group's accounting policies, as explained above, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current period does not result in any significant impact on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018 as stated in notes to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective in the consolidated financial statements:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2015–2017 cycle[1]
HKFRS 3 (Amendments)	Definition of Business[4]
HKFRS 9 (Amendments)	Prepayment Feature with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HKAS 1 and HKAS 8 (Amendments)	Definition of materials[5]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatment[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning or after a date to be determined.
4 Effective for business combinations and asset acquisition for which acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

The directors anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the financial performance and the financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$5,559,000 as disclosed in Note 30 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company, which are its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

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

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

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

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

Revenue and other income recognition

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue and other income recognition *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) *(Continued)*

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

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

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

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

Contracts with multiple performance obligations (including allocation of transaction price)

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

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue and other income recognition *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) *(Continued)*

The Group recognises revenue from the following major sources:

(i) Revenue from the sales of electronic products in the Group's revenue happen at a point in time and do not include any significant separate performance obligations;

(ii) Services income will be recognised over time rather than at a point in time. The services are performed over short periods and therefore do not result in any significant change in the timing of revenue recognition;

(iii) Brokerage and commission income from securities dealing will be recognised at a point in time on the trade date basis when the relevant transaction is completed and do not include any significant separate performance obligations;

(iv) Net realised gains from over-the-counter ("OTC") cryptocurrencies trading is recognised on a trade date basis;

(v) Commission income and services income from operation of cryptocurrencies trading platform is recognised on the transaction dates when the transactions are executed and completed and the Group receives cryptocurrencies as non-cash consideration for these services. Revenue is measured at the fair value of the non-cash consideration received if the fair value of the non-cash consideration can be reasonably estimated or by reference to the stand-alone selling price of the services rendered if the fair value of the non-cash consideration cannot be reasonably estimated;

(vi) Rental income will be recognised over time according to the utilisation rate to charge the rental income to customer; and

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

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of consideration received for the rendering of services. Provided it is probable that the economic benefit will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue from the sales of goods is recognised when the risk and reward of the goods has been transferred to the customer, which is usually when the Group has delivered the products to the customer, the collectability of the related receivables is reasonably assumed and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Rental income of air-conditioners is recognised when the services are delivered to customers.

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

Brokerage and commission income on securities dealing is recognised on trade date basis when the relevant transaction is completed.

Cryptocurrencies

Cryptocurrencies are open-source software-based online payment system where payments are recorded in a public ledger using its own unit of account. The Group is engaged in cryptocurrencies trading and operation of cryptocurrencies trading platform ("Blockchain technology related business"). The Group measures cryptocurrencies held by the Group at its cost less impairment, with an impairment assessment being carried out as at the end of each financial reporting period to determine whether the recoverable amounts of the cryptocurrencies are higher than their previous carrying amounts. An impairment loss is recognised in profit or loss in the reporting period when the recoverable amount is assessed to be below the carrying amount.

The recoverable amounts of the cryptocurrencies are determined as the higher of their fair values less costs of disposal and value in use. Fair values are estimated using the assumptions that market participants would use when pricing the cryptocurrencies, assuming that market participants act in their economic best interest.

Cryptocurrencies are derecognised when the Group disposes of them through its trading activities or when the Group otherwise loses control and, therefore, access to the economic benefits associated with ownership of the cryptocurrencies cease.

Refer to Note 4 "cryptocurrencies" for further discussion of the Group's accounting policy in respect of cryptocurrencies valuation and the judgement made in determining the carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the rate of 10% to 20% per annum.

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

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Impairment testing of non-financial assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing at the end of each reporting period. Individual assets or cash-generating units are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to 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 assessment of time value of money and risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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

When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss and other comprehensive income when the services are delivered to customers.

Rental income from air conditioner is recognised on a straight-line basis over the utilisation rate consumed by the customer in the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group as lessee

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

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

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

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

Financial instruments

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

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

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

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transition in Note 2)

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

- The financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

Amortised cost and interest income

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

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

- it is a derivative that is not designated and effective as a hedging instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transition in Note 2) *(Continued)*

Financial assets at FVTPL

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

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

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in Note 2)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and deposits, loans receivable, amounts due from related companies, client trust bank balances and cash and cash equivalents). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on its historical observed default rates which is adjusted for forward-looking estimates.

For other receivables and deposits and amounts due from related companies, the Group measures the loss allowance on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

ECL for part of the loans receivable at amortised cost are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition, while the remaining are assessed on lifetime ECL basis.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in Note 2) *(Continued)*

Significant increase in credit risk

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

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

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

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

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

Definition of default

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in Note 2) *(Continued)*

Credit-impaired financial assets

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

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

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

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

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

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

Write-off policy

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

Measurement and recognition of ECL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in Note 2) *(Continued)*

Measurement and recognition of ECL (Continued)

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

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

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

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

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, loans receivable, amounts due from related companies, client trust bank balances and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in the consolidated income statements excludes any dividend or interest earned on the financial assets and is included in the other revenue line item.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

Financial assets at FVTPL (Continued)

At the end of each reporting period, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at FVTPL.

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

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

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

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

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60–90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

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

In respect of AFS debt security, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as financial liabilities or equity

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, accruals, deposits received and other payables (excluding receipt in advance) and amounts due to related parties) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Taxation

Income tax comprises current tax payable and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profits for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Client trust bank balances

The Group has classified the clients' monies as client trust bank balances under the current assets section of the consolidated statement of financial position and recognised a corresponding accounts payable to respective clients on grounds that is liable for any loss or misappropriation of clients' monies.

Provisions and contingent liabilities

Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. At the end of the subsequent reporting periods, such contingent liabilities are recognised at the higher of the amount recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less accumulated amortisation recognised in accordance with HKAS 18 Revenue.

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the 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 of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties transactions

A party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

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

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

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

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

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

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

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

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

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

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

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

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

(c) dependants of the person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between the Group and a related party, regardless of whether a price is charged.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs and short term employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

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

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

Share-based Payment

Share Options Granted to Employees

For grant of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share-based payment reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based Payment *(Continued)*

Share Options Granted to Employees *(Continued)*

For share options that are vested immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained earnings.

Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Segment reporting

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

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Group's accounting policies which are described in Note 3 to the consolidated financial statements, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgment, apart from those involving estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Cryptocurrencies

During the current financial year ended 31 December 2018, the Group commenced engaging in the Blockchain technology related business. The Group's activities in this business include trading cryptocurrencies through over-the-counter ("OTC") market and operation of the cryptocurrencies trading platform for earning of commission and service income, As a result, the Group received and held cryptocurrencies and also traded in them. In the process of developing and applying an accounting policy for cryptocurrencies, management of the Group noted that there is no Hong Kong Financial Reporting Standard that specifically applies to the accounting treatment for cryptocurrencies held by the Group. Management has considered the guidance in HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" ("HKAS 8") concerning how the Group should develop its accounting policy under such circumstances. In accordance with HKAS 8, reference was made to the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practice to the extent that these do not conflict with the requirements of the HKFRSs. Based on literature issued by staff of the International Accounting Standards Board and with reference to Hong Kong Accounting Standard 38 "Intangible Assets", which defines an intangible asset as an identifiable non-monetary asset without physical substance, management considered that the cryptocurrencies satisfy the elements of the definition of an intangible asset and therefore determined that cryptocurrencies should be accounted for in the same manner as intangible assets are accounted for under HKAS 38.

Accordingly, subsequent to initial recognition, cryptocurrencies are carried at cost less impairment, reflecting the fact that the Group's cryptocurrencies are assets which are resources controlled by the Group and from which future economic benefits from selling the cryptocurrencies in the OTC markets are expected to flow to the Group. The cryptocurrencies are derecognised when the Group disposes them through its trading activities or when the Group otherwise loses control over them, and, therefore, access to the economic benefits associated with ownership of the cryptocurrencies cease.

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(ii) Revenue from blockchain technology related business

The Group generates revenue by providing computer processing activities for cryptocurrencies transaction processing services on the public ledger system known as the cryptocurrencies blockchain. Currently, the Group has two main types of revenue from the blockchain technology related business, comprising (i) Revenue from cryptocurrencies trading, and (ii) Commission and service income generated from operation of cryptocurrencies trading platform. The Group receives non-cash consideration for providing such cryptocurrencies trading platform activities in the form of cryptocurrencies. The Group has determined that the substance of its cryptocurrency activities is service provision under the scope of HKFRS 15 "Revenue" notwithstanding that there is no explicit contractual documentation under which it provides such services as the services are provided through open source software, being the cryptocurrencies protocol. Furthermore, the nature of the cryptocurrencies protocol is such that the Group is unable to determine in advance the consideration that it will receive, if any, for the cryptocurrencies trading platform services that it provides and, therefore, the Group is unable to estimate reliably the outcome of its commission income and services income from the trading platform activities in advance of actual receipt of the non-cash consideration in the form of cryptocurrencies. Because of the uncertainty over both the timing and amount of the non-cash consideration that the Group will receive for undertaking the cryptocurrencies activities, management has determined that revenue should only be recognised on actual receipt of the cryptocurrencies as non-cash consideration for services provided.

Cryptocurrencies received as non-cash consideration for cryptocurrencies trading platform activities are, therefore, recognised as revenue at by reference to their fair values from the platform on the date of receipt by the Group in a private cryptocurrencies wallet controlled by the Group. The fair value of the cryptocurrencies received is determined in accordance with the Group's accounting policy by reference to the last known price quoted in the relevant OTC market, see Note 4 "cryptocurrencies" above. cryptocurrencies received by the Group as non-cash consideration are recognised immediately as "cryptocurrencies" in the consolidated statement of financial position of the Group.

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(iii) Provision of ECL for financial assets at amortised cost

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Details of the key assumptions and inputs used are disclosed in note 34(iii). As at 31 December 2018, the carrying amount of trade receivables, deposits and other receivables, loans receivable and amounts due from related companies are approximately HK$83,344,000, HK$1,656,000, HK$11,937,000 and HK$5,640,000 respectively (net of loss allowance of approximately HK$561,000, HK$6,074,000, HK$34,000 and HK$362,000 respectively).

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in notes 34(iii), 17, 18, 19 and 21.

(iv) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group annually reviews the useful life of an asset and its residual value, if any. The useful life is based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(v) Impairment losses for property, plant and equipment

Property, plant and equipment are assessed at the end of each reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment is estimated. The recoverable amount of the property, plant and equipment is based on value-in-use calculations. These calculations are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(vi) Income taxes

The Group is subject to income taxes in various jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(vii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Details of the impairment testing on goodwill are provided in Note 15 to the consolidated financial statements.

5. SEGMENT INFORMATION

Information reported to executive Directors and chief executive officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under HKFRS 8 are as follows:

– Rental of energy-saving air-conditioners ("Rental of air-conditioners")

– Trading business

– Operations of the Carbon Emission Trading Platform ("CETP") and related services ("Operations of the CETP")

– Money lending business

– Securities trading business

– Blockchain technology related business (new segment during the current year)

5. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended 31 December 2018

	Rental of air-conditioners HK$'000	Trading business HK$'000	Operations of the CETP HK$'000	Money lending business HK$'000	Securities trading business HK$'000	Blockchain technology related business HK$'000	Total HK$'000
Segment revenue	3,379	163,951	–	3,136	2,896	7,465	180,827
Segment results	(17,336)	2,577	(1,300)	2,409	(4,277)	(22,027)	(39,954)
Other revenue							138
Exchange gain, net							9
Loss on disposal of cryptocurrencies	–	–	–	–	–	(65)	(65)
Impairment loss on cryptocurrencies	–	–	–	–	–	(54,545)	(54,545)
Loss on disposal of subsidiaries							(22,791)
Central administrative costs							(37,317)
Loss before taxation							(154,525)

For the year ended 31 December 2017

	Rental of air-conditioners HK$'000	Trading business HK$'000	Operations of the CETP HK$'000	Money lending business HK$'000	Securities trading business HK$'000	Total HK$'000
Segment revenue	4,798	182,465	–	3,196	3,001	193,460
Segment results	(12,135)	5,581	(33,515)	1,582	(4,394)	(42,881)
Other revenue						17
Other gains and losses						(8)
Net gain on financial assets at fair value through profit or loss						3,148
Central administrative costs						(17,113)
Finance costs						(797)
Loss before taxation						(57,634)

5. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

All of the segment revenue reported above is generated from external customers.

The accounting policies of the operating segments are the same as the Group's accounting polices described in Note 3 to the consolidated financial statements. Segment results represent the profit or loss recorded by each segment without allocation of other revenue, other gains and losses (excluding impairment loss on other assets, loss allowance on financial assets at amortised cost and reversal of loss allowance on financial assets at amortised cost), loss on disposal of cryptocurrencies, impairment loss on cryptocurrencies, loss on disposal of subsidiaries and central administrative costs including directors' remuneration and taxation. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Segment assets and liabilities

For the year ended 31 December 2018

	Rental of air-conditioners HK$'000	Trading business HK$'000	Operations of the CETP HK$'000	Money lending business HK$'000	Securities trading business HK$'000	Blockchain technology related business HK$'000	Total HK$'000
Segment assets	24,854	81,692	574	29,835	25,788	50,630	213,373
Unallocated assets							11,892
Total assets							225,265
Segment liabilities	9,073	80	101	274	5,475	3,594	18,597
Unallocated liabilities							1,009
Total liabilities							19,606

For the year ended 31 December 2017

	Rental of air-conditioners HK$'000	Trading business HK$'000	Operations of the CETP HK$'000	Money lending business HK$'000	Securities trading business HK$'000	Total HK$'000
Segment assets	49,510	83,831	78,791	58,693	32,847	303,672
Unallocated assets						76,369
Total assets						380,041
Segment liabilities	11,968	205	187	140	8,134	20,634
Unallocated liabilities						1,849
Total liabilities						22,483

5. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

– all assets are allocated to reportable segments other than assets held by the Company and its subsidiaries which the roles are investment holding companies; and

– all liabilities are allocated to reportable segments other than liabilities held by the Company and its subsidiaries which the roles are investment holding companies.

Other segment information

For the year ended 31 December 2018

	Rental of air-conditioners HK$'000	Trading business HK$'000	Operations of the CETP HK$'000	Money lending business HK$'000	Securities trading business HK$'000	Blockchain technology related business HK$'000	Unallocated HK$'000	Total HK'000
Capital expenditure	–	–	–	–	24	2,293	37	2,354
Depreciation of property, plant and equipment	8,524	1,718	316	143	74	354	1,060	12,189
Impairment loss on property, plant and equipment	4,002	–	–	–	–	–	–	4,002
Impairment loss on goodwill	–	–	–	–	2,365	–	–	2,365
Impairment loss on cryptocurrencies	–	–	–	–	–	54,545	–	54,545
Loss on disposal of cryptocurrencies	–	–	–	–	–	65	–	65
Loss allowance on financial assets at amortised cost	3,650	553	–	32	21	371	25	4,652
Reversal of loss allowance on financial assets at amortised cost	(2)	(393)	–	(527)	(32)	(292)	(1)	(1,247)

For the year ended 31 December 2017

	Rental of air-conditioners HK$'000	Trading business HK$'000	Operations of the CETP HK$'000	Money lending business HK$'000	Securities trading business HK$'000	Unallocated HK$'000	Total HK'000
Capital expenditure	–	148	–	–	193	46	387
Depreciation of property, plant and equipment	7,846	1,669	399	252	68	1,131	11,365
Impairment loss on intangible asset	–	–	30,866	–	–	–	30,866
Net gain on financial assets at fair value through profit or loss	–	–	–	–	–	3,148	3,148
Impairment loss on other assets	–	577	–	–	–	–	577
Impairment loss on other receivables, deposits and prepayments	3,645	–	–	–	–	–	3,645

5. SEGMENT INFORMATION *(Continued)*

Revenue from major operations

The Group's revenue from its major operations is set out in Note 6 to the consolidated financial statements.

Geographical information

The Group's revenue from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Geographical market				
PRC	**167,330**	187,263	**18,725**	34,989
Hong Kong	**13,497**	6,197	**44,504**	87,988
Total	**180,827**	193,460	**63,229**	122,977

The geographical location of customers is based on the location at which the services were rendered or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

Information about major customers

For the year ended 31 December 2018, approximately HK$134,578,000 or 74.4% (2017: approximately HK$182,465,000 or 94.3%) of the Group's revenue generated from three customers (the trading business segment) (2017: two customers (the trading business segment)). Each customer has individually accounted for over 10% of the Group's total revenue.

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	2018 HK$'000	2017 HK$'000
Customer A	**70,333**	*–
Customer B	**24,876**	*–
Customer C	**39,369**	90,525
Customer D	***–**	91,940

* Revenue generated from the customer did not contributed 10% or more of the Group's revenue in the corresponding year.

6. REVENUE

Revenue arised from sale of electronic products, interest income from provision of money lending business, brokerage and commission income from provision of securities trading services, net realised gains from OTC, commission and service income and blockchain solution service income from blockchain technology related business. Revenue and other revenue recognised during the year are as following:

Disaggregation of revenue from contracts with customers

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

	2018 HK$'000	2017 HK$'000
Timing of revenue recognition		
Revenue recognised at a point in time		
Revenue from sale of electronic products	**163,951**	182,465
Brokerage and commission income from securities trading business	**2,896**	3,001
Blockchain technology related business:		
– Commission and service income from trading platform	**6,123**	–
– Blockchain solution service income	**210**	–
– Realised gains from OTC trading, net	**1,132**	–
Revenue from contracts with customers	**174,312**	185,466
Revenue from other source		
Interest income from money lending business	**3,136**	3,196
Rental income of air-conditioners	**3,379**	4,798
	180,827	193,460

	2018 HK$'000	2017 HK$'000
Other revenue		
Interest income	**5**	14
Sundry income	**133**	3
	138	17

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Net gain on financial assets at fair value through profit or loss		
– Realised gain on financial assets at fair value through profit or loss	–	3,148
Loss on disposal of cryptocurrencies	(65)	–
Exchange gain/(loss), net	9	(8)
Impairment loss on other assets	–	(577)
Loss allowance on financial assets at amortised cost *(Note 34(iii))*	(4,652)	(3,645)
Reversal of loss allowance on financial assets at amortised cost *(Note 34(iii))*	1,247	–
	(3,461)	(1,082)

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on other borrowings		
– secured and wholly repayable within one year	–	320
– unsecured and wholly repayable within one year	–	465
Interest expenses on obligation under finance lease	–	12
	–	797

9. LOSS BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Loss before taxation is arrived at after charging/(crediting):		
Auditors' remuneration		
– Audit services	780	680
– Non-audit services	30	271
Depreciation		
– Owned property, plant and equipment	12,189	11,256
– Leased property, plant and equipment	–	109
Cost of inventories recognised as an expense	156,349	170,054
Operating lease rentals in respect of rented premises	4,664	4,597
Loss on disposal of property, plant and equipment	636	25
Impairment loss on property, plant and equipment	4,002	–
Impairment loss on goodwill	2,365	–
Loss on disposal of cryptocurrencies	65	–
Impairment loss on cryptocurrencies	54,545	–
Impairment loss on intangible asset	–	30,866
Impairment loss on other assets	–	577
License fee for cryptocurrencies trading platform	9,360	604
Equity-settled share-based payments	12,087	–
Employee benefit expenses (excluding directors' remuneration) (Note 12)		
– Salaries allowances and benefits in kind	30,200	14,231
– Contributions to retirement benefits scheme	2,044	603

10. TAXATION

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong Profits Tax	92	–

The Company is not subject to taxes in profits, income or dividends in Bermuda.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017.

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

10. TAXATION *(Continued)*

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 millions of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 millions.

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

A reconciliation of the tax expenses applicable to loss before taxation at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

	2018 **HK$'000**	2017 HK$'000
Loss before taxation	**(154,525)**	(57,634)
Tax calculated at the rates applicable to loss in the tax jurisdiction concerned	**(27,174)**	(10,066)
Tax effect of non-deductible expenses	**15,357**	10,554
Tax effect of non-taxable income	**(9,118)**	–
Tax effect of estimated tax losses not recognised	**21,962**	–
Tax effect of utilisation of tax losses previously not recognised	**(428)**	(488)
Tax effect for temporary differences	**(487)**	–
Tax concession	**(20)**	–
Income tax for the year	**92**	–

Deferred taxation

Deferred taxation is calculated in full on temporary difference under the liabilities method using a principal taxation rate of 16.5% (2017: 16.5%). During the years ended 31 December 2018 and 2017, no deferred taxation was recognised by the Group.

As at 31 December 2018, the Group has estimated tax losses of approximately HK$40,641,000 (2017: HK$16,050,000) available to offset the against future taxable profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit to utilise the balances.

11. LOSS PER SHARE

	2018	2017
Loss		
Attributable to the owners of the Company (HK$)	**(139,188,000)**	(51,192,000)
Weighted average number of ordinary shares in issue *(note)*	**1,036,379,025**	923,041,120
Basic and diluted loss per share (HK cents)	**(13.43)**	(5.55)

Note:

Basic loss per share is calculated by dividing the loss for the year attributable to the owners of the Company over the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares for the year ended 31 December 2018 are 1,036,379,025 ordinary shares (2017: 923,041,120 ordinary shares) in issue during the year.

The basic and diluted loss per share for the years ended 31 December 2018 and 2017 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the year was anti-dilutive.

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's retirement benefit schemes HK$'000	Share-based compensation HK$'000	Total HK$'000
2018					
Executive directors					
Mr. Chen Ping (a) *(Chairman)*	–	–	–	2,281	2,281
Ms. Ma Jian Ying (b) *(CO-Chief executive officer)*	–	438	18	2,281	2,737
Mr. Wang An Zhong	–	438	18	–	456
Mr. Tsang Chun Kit, Terence (e)	–	438	18	2,281	2,737
	–	1,314	54	6,843	8,211
Non-executive directors					
Mr. Shi Guang Rong (f)	–	252	13	227	492
Mr. Hsu Bin Chun (g)	–	100	–	685	785
	–	352	13	912	1,277
Independent non-executive directors					
Mr. Leung Wah	120	–	–	–	120
Ms. Sun Ching (h)	120	–	–	–	120
Ms. Wong Mei Ling	120	–	–	–	120
	360	–	–	–	360
Total	360	1,666	67	7,755	9,848

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's retirement benefit schemes HK$'000	Share-based compensation HK$'000	Total HK$'000
2017					
Executive directors					
Mr. Chen Ping (a) *(Chairman)*	–	–	–	–	–
Ms. Ma Jian Ying (b) *(CO-Chief executive officer)*	–	134	5	–	139
Mr. Chan Kwok Wing (c)	–	1,901	17	–	1,918
Mr. Wang An Zhong	–	420	18	–	438
Mr. Zhao Liang (d)	–	116	–	–	116
Mr. Tsang Chun Kit, Terence (e)	–	93	4	–	97
	–	2,664	44	–	2,708
Non-executive directors					
Mr. Shi Guang Rong (f)	–	194	10	–	204
Mr. Hsu Bin Chun (g)	–	13	–	–	13
	–	207	10	–	217
Independent non-executive directors					
Mr. Leung Wah	120	–	–	–	120
Ms. Sun Ching (h)	120	–	–	–	120
Ms. Wong Mei Ling	120	–	–	–	120
	360	–	–	–	360
Total	360	2,871	54	–	3,285

Notes:

(a) Mr. Chen Ping has been appointed as executive director and chairman of the Board with effective from 15 September 2017.

(b) Ms. Ma Jian Ying has been appointed as executive director with effective from 15 September 2017 appointed as chief executive officer on 1 November 2017 and re-designated as CO-CEO on 20 August 2018.

(c) Mr. Chan Kwok Wing has resigned as executive director and chief executive officer with effective on 1 November 2017.

(d) Mr. Zhao Liang has resigned as executive director with effective on 10 March 2017.

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

Notes: (Continued)

(e) Mr. Tsang Chun Kit, Terence has been appointed as executive director with effective from 18 October 2017.

(f) Mr. Shi Guang Rong has been appointed as non-executive director with effective from 10 March 2017.

(g) Mr. Hsu Bin Chun has been appointed as non-executive director with effective on 12 December 2017 and resigned as non-executive director with effective on 25 May 2018.

(h) Ms. Sun Ching has resigned as independent non-executive director with effective on 31 December 2018.

(b) Five highest paid individuals

The five highest paid individuals during the year included three directors (2017: one director) whose emoluments are disclosed in above. The aggregate of the emoluments in respect of the other two individuals (2017: four individuals) with the highest emoluments are as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries and allowances	**1,729**	3,599
Retirement benefits scheme contributions	**18**	35
Share-based compensation	**2,281**	–
	4,028	3,634

The emoluments of the other two individuals (2017: four individuals) with the highest emoluments are within the following bands:

	Number of Individuals	
	2018	2017
Nil to HK$1,000,000	**1**	4
HK$2, 500,001 to HK$3,500,000	**1**	–
	2	4

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the senior management as an inducement to join or upon joining the Group or as compensation for loss of office. No senior management waived or to waive any emoluments during both years.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Motor vehicle HK$'000	Furniture, fixtures and equipment HK$'000	Air-conditioners HK$'000	Total HK$'000
Cost					
At 1 January 2017	2,822	9,825	6,283	42,800	61,730
Additions	–	–	387	–	387
Disposals	–	(674)	(23)	(363)	(1,060)
Exchange alignment	–	640	105	3,219	3,964
At 31 December 2017 and 1 January 2018	2,822	9,791	6,752	45,656	65,021
Additions	–	–	2,354	–	2,354
Disposals	–	–	(2,614)	(1,349)	(3,963)
Disposals of subsidiaries *(Note 31)*	–	–	(1,818)	–	(1,818)
Exchange alignment	–	(472)	(84)	(2,313)	(2,869)
At 31 December 2018	2,822	9,319	4,590	41,994	58,725
Accumulated depreciation and impairment:					
At 1 January 2017	1,402	3,728	3,024	6,707	14,861
Charge for the year	564	1,820	1,281	7,700	11,365
Disposals	–	(269)	(11)	(109)	(389)
Exchange alignment	1	304	69	818	1,192
At 31 December 2017 and 1 January 2018	1,967	5,583	4,363	15,116	27,029
Charge for the year	564	1,753	1,457	8,415	12,189
Disposals	–	(6)	(2,101)	(674)	(2,781)
Elimination on disposals of subsidiaries *(Note 31)*	–	–	(1,460)	–	(1,460)
Impairment for the year	–	35	14	3,953	4,002
Exchange alignment	–	(364)	(81)	(1,206)	(1,651)
At 31 December 2018	2,531	7,001	2,192	25,604	37,328
Carrying amount:					
At 31 December 2018	**291**	**2,318**	**2,398**	**16,390**	**21,397**
At 31 December 2017	855	4,208	2,389	30,540	37,992

14. INTANGIBLE ASSET

The Group acquired an intangible asset of the using right of carbon emission trading platform (the "CETP") in 2014. CETP is an intangible asset which is dedicated to a variety of carbon emission rights and carbon derivatives electronic trading systems integrated product transactions. The platform is including members of management, financial asset management, transaction prices showing, trading orders placed and cleared. It provides a communication channel for the carbon rights registration institutions and banks, offering management and tracking the whole life cycle from entering the carbon products into the system to trading until its maturity to be written off.

	Carbon Emission Trading Platform HK$'000
Cost:	
At 1 January 2017, 31 December 2017 and 1 January 2018	161,869
Disposal during the year *(Note 31)*	(161,869)
At 31 December 2018	–
Accumulated impairment:	
At 1 January 2017	57,357
Impairment losses recognised in profit or loss	30,866
At 31 December 2017 and 1 January 2018	88,223
Disposal during the year *(Note 31)*	(88,223)
At 31 December 2018	–
Carrying amount:	
At 31 December 2018	**–**
At 31 December 2017	73,646

Note:

(i) On 15 October 2018, the Group entered into a sale and purchase agreement (the "SP Agreement") with Rainbow Edge Limited, a company incorporated in Seychelles with limited liability, for the disposal of its entire interests in Wonderful Dream Limited and its subsidiaries, Vax Limited and Hong Kong Carbon Emission Trading Limited (the "Disposal Group") at a consideration of approximately HK$54,632,000 which was settled by transferring the 91,240,875.9 units of XPA to the Group. The disposal was completed on 15 October 2018. Details are set out in the disposal of subsidiaries in Note 31.

(ii) In the assumption of continuity or going concern convention, the CETP will create economic benefits for the Group continuously if maintenance expenses are paid periodically. The useful life of the CETP is indefinite as there is no foreseeable limit on the period over which the asset is expected to generate net cash inflows for the Group. It will be tested for impairment annually, instead of amortising over its useful life, and whenever there is an indication that may be impaired.

14. INTANGIBLE ASSET *(Continued)*

Note: (Continued)

(ii) *(Continued)*

The Group carried out a review of the recoverable amount of the CETP for the year ended 31 December 2017. The recoverable amount of CETP for the year ended 31 December 2017 was determined based on value-in-use calculations which is determined with the relief-from-royalty method and using the discounted cash flows. The impairment review of the CETP is based on the expected future cash flows and based on the financial budgets approved by management covering a 10-year period. Discount rate of 26.43% was applied on the value-in-use calculations. Cash flow beyond 5 years are using a steady 3% growth rate per annum. Carbon emission trading market has just started in the PRC. It will be expected a high growth rate when the market become mature in development. Owing to the high growth rate of operating revenue of the CETP, the management of the Company views that using a longer cash flow projection of ten years is more reasonable to reflect the recoverable amount of CETP.

Based on the business valuation report for the CETP issued by China Intangible Asset Appraisement Co., Ltd, the value-in-use at 31 December 2017 was calculated to be lower than the carrying amount of the CETP and accordingly an impairment loss of approximately HK$30,866,000 was recognised during the year ended 31 December 2017. As the CETP has been reduced to its recoverable amount of approximately HK$73,646,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

The directors of the Company are in the opinion that the impairment loss was mainly due to downward adjustment for the projected future cash flow made by the management after taking into account of the following reasons (i) The Group's operations of CETP is still at its developing stage since the PRC market has just started. The carbon emission right trading is a relatively new industry in both Hong Kong and the PRC. The awareness and market demand in this area will take time to build; and (ii) the operations of CETP business has been postponed due to the change of business plan and the management of the Company.

15. GOODWILL

	HK$'000
Cost:	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,939
Accumulated impairment:	
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Impairment for the year	(2,365)
At 31 December 2018	(2,365)
Carrying amount:	
At 31 December 2018	**8,574**
At 31 December 2017	10,939

Particular of impairment testing on goodwill is disclosed below:

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

– Money lending business

– Securities trading business

15. GOODWILL *(Continued)*

Before recognition of impairment losses, the carrying amount of goodwill was allocated to groups of CGUs units as follows:

	2018 **HK$'000**	2017 HK$'000
Money lending business	**869**	869
Securities trading business	**7,705**	10,070
	8,574	10,939

Impairment testing on cash generating unit

Money lending business

The recoverable amount of the CGU is determined based on value-in-use calculation, which is based on discounted cash flow sourced from the financial budgets approved by the management covering a 5-years period, and the pre-tax discount rate approximately 11.32% (2017: 10.79%) that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-years period have been extrapolated using 3.0% growth rate per annum. The directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

Securities trading business

The recoverable amount of the CGU is determined based on value-in-use calculation, which is based on discounted cash flow sourced from the financial budgets approved by the management covering a 5-years period, and the pre-tax discount rate approximately 19.49% (2017: 19.39%) that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-years period have been extrapolated using 3.0% growth rate per annum. Due to continuous operating loss in securities trading business cash generating unit, its recoverable amount is calculated to be lower than its carrying amount, an impairment loss of approximately HK$2,365,000 (2017: Nil) was recognised during the year ended 31 December 2018. The management engaged an independent professional valuer to assess the value in use as at 31 December 2018 which was used to determine the fore-mentioned impairment amount, after taking into account (i) the current economic development of the Hong Kong; (ii) the development of securities business; and (iii) the expected business flow and development plan of the securities trading business during the valuation process.

As the goodwill has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

The key assumptions used in the value-in-use calculations for the cash-generating units are as follows:

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

16. OTHER ASSETS

	2018 HK$'000	2017 HK$'000
Statutory deposits *(note)*	**400**	400

Note:

The statutory deposits represent deposits paid to exchanges and clearing houses held on long-term basis.

17. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables from securities trading business		
– Cash clients	**1,838**	3,414
– Margin clients	**–**	53
– Clearing house	**1,313**	2,881
	3,151	6,348
Trade receivables	**80,754**	78,458
	83,905	84,806
Less: Allowance for expected credit losses	**(561)**	–
	83,344	84,806

The directors consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The settlement term of trade receivables arising from securities trading business is 2 trading days after trade date. No ageing analysis for securities trading business is disclosed as, in the opinion of the directors of the Company, the ageing analysis for securities trading business does not give additional value in view of its business nature.

For the year ended 31 December 2018, the Group allows a credit period with average range from 30 to 180 days (2017: 30 to 180 days) to its trade customers of its trading business.

17. TRADE RECEIVABLES *(Continued)*

The ageing analysis of trade receivables from other than securities trading business (net of provision for ECL) at the end of the reporting period based on the invoice date and net of allowance for expected credit losses:

	2018 HK$'000	2017 HK$'000
0 – 90 days	80,214	43,458
91 – 180 days	–	35,000
	80,214	78,458

Loss allowance of approximately HK$583,000 have been recognised for trade receivables during the year ended 31 December 2018 (At 1 January 2018: approximately HK$425,000).

As at 31 December 2018 and 2017, no trade receivables was past due but not impaired. All trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit rating system used by the Group. Accordingly, these balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in Note 34.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Deposits and prepayments paid to suppliers	2,997	11,126
Other receivables and deposits	1,656	2,472
Value added tax receivables	5,320	6,297
	9,973	19,895

Loss allowance of approximately HK$3,675,000 have been recognised for other receivables and deposits during the year ended 31 December 2018 (At 1 January 2018: approximately HK$2,680,000). Details of impairment assessment of other receivables and deposits are set out in Note 34.

19. LOANS RECEIVABLE

	2018 HK$'000	2017 HK$'000
Loans receivable	**10,000**	39,000
Interest receivables	**1,971**	1,374
	11,971	40,374
Less: Allowance for expected credit losses	**(34)**	–
	11,937	40,374

The maturity profile of the loans receivable at the end of the reporting period, analysed by the maturity date, is as follow:

	2018 HK$'000	2017 HK$'000
Loans receivable:		
Within 1 year	**11,937**	40,374

The Group's loans receivable, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollars.

The loans receivable are mainly unsecured, interest bearing and are receivable with fixed terms agreed with customers. As at 31 December 2018, a loan receivable with principal amount of approximately HK$10,000,000 is secured by collaterals, interest bearing and is receivable with fixed term agreed with customer. They are neither past due nor impaired. The maximum exposure to credit risk at the end of period is the carrying value of the loans receivable.

Loans receivable are interest-bearing at rates of range from 9% to 15% (2017: 9.0% to 31.8%) per annum. Loans receivable include the interest receivables of approximately HK$1,971,000 (2017: approximately HK$1,374,000) which receivable on the date of repayment. During the year ended 31 December 2018, interest income of approximately HK$3,136,000 (2017: approximately HK$3,196,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income.

Loss allowance of approximately HK$32,000 have been recognised for loans receivable during the year ended 31 December 2018 (At 1 January 2018: approximately HK$529,000). Details of impairment assessment of loans receivable are set out in Note 34.

20. CRYPTOCURRENCIES

The amounts represented the various mainstream and non-mainstream cryptocurrencies held by the Group as at the end of the reporting period.

Cryptocurrencies	2018 Total HK$'000	2017 Total HK$'000
Mainstream:		
BTC	1,299	–
ETH	2,944	–
Non-mainstream:		
CBT	213	–
LTC	117	–
USX	1,772	–
XPA *(Note ii)*	26,512	–
Others	1	–
	32,858	–

Note:

(i) As at 31 December 2018, the Group estimated the recoverable amounts of the cryptocurrencies held by the Group, which were determined based on their estimated fair values arrived at using analysis of available information for the reference prices in the relevant cryptocurrencies markets and valuation performed by independent professional valuer for both mainstream and non-mainstream categories. The recoverable amount has categorised under Level 2 fair value hierarchy. The basis of the valuation used the market approach with adjustments being made to take account of marketability factors according to the liquidity and marketability of each type of the cryptocurrencies. Due to the liquidity issues and down trend of the cryptocurrencies market during the year, an aggregate impairment loss amounting to approximately HK$54,545,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2018 to write down the carrying amounts of the cryptocurrencies held by the Group as at 31 December 2018 to their estimated recoverable amounts.

As the cryptocurrencies have been reduced to their recoverable amounts, any further adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

(ii) XPA is a cryptocurrency token which is currently built up based on the blockchain technology of Ethereum platform. As at 31 December 2018, the Group held approximately of 111,941,251 units of XPA with carrying amount (after recognising impairment loss) of approximately of HK$26,512,000. In view of the liquidity and trading volume issues of XPA, the Group has classified the XPA cryptocurrencies as non-mainstream in nature.

21. AMOUNTS DUE FROM RELATED COMPANIES

	Maximum balance during the year	2018 HK$'000	2017 HK$'000
iSunCloud Limited	6,020	5,640	–
TideEx Technology Limited	5,162	–	5,162
		5,640	5,162

The amounts due from the related companies are unsecured, interest free and recoverable on demand.

The directors of the Company, Mr. Chen Ping and Ms. Ma Jian Ying, are also the directors and beneficial interest owners of the related companies.

Loss allowance of approximately HK$362,000 have been recognised for amounts due from related companies during the year ended 31 December 2018 (At 1 January 2018: approximately HK$292,000). Details of impairment assessment of amounts due from related companies are set out in Note 34.

22. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash at bank and in hand	48,982	104,902

The effective interest rates of the bank balances of the Group ranged from 0.01% to 0.35% (2017: 0.01% to 0.35%) per annum.

As at 31 December 2018, the Group's certain bank deposits of approximately HK$748,000 (2017: approximately HK$1,953,000) denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Client trust bank balances from securities trading business

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from the regulated activities of its securities trading business licensed by the SFC. The Group has classified these clients' monies as client trust bank balances under the current assets section to the consolidated statement of financial position and recognised the corresponding trade payable to the respective clients. The Group is not permitted to offset those payables with the clients' monies.

23. TRADE PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables from securities trading business		
– Cash clients	**3,456**	4,787
– Clearing house	**1,855**	2,913
	5,311	7,700
Trade payables	**5,066**	5,288
	10,377	12,988

For securities trading business, the settlement terms of trade payables to Cash clients and Clearing house is 2 trading days after trade date. No ageing analysis for securities trading business is disclosed as, in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of its business nature.

The Group was granted by its trade suppliers for credit periods ranging from 30 to 180 days. Based on the invoice dates, the ageing analysis of the trade payables from other than securities trading business were as follows:

	2018 HK$'000	2017 HK$'000
0 – 90 days	**52**	–
91 – 180 days	**–**	–
181 – 365 days	**–**	96
Over 365 days	**5,014**	5,192
	5,066	5,288

24. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accruals	**3,516**	1,757
Rental deposits received	**4,950**	4,439
Other payables	**375**	1,773
	8,841	7,969

25. AMOUNTS DUE TO RELATED PARTIES

The amounts due to related parties are unsecured, interest-free and repayable on demand.

As at 31 December 2017, an amount of approximately HK$1,214,000 due to related parties which the directors of the Company, Mr. Chen Ping and Ms. Ma Jian Ying, are also the directors and beneficial interest owners of the related companies.

26. SHARE CAPITAL

	Number of shares '000	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.04 each at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**5,000,000**	**200,000**
Issued and fully paid:		
Ordinary shares of HK$0.04 each at 1 January 2017	575,766	23,031
Placing of new shares *(note 1)*	115,153	4,606
Right issue of new shares *(note 2)*	345,460	13,818
Ordinary shares of HK$0.04 each at 31 December 2017, 1 January 2018 and 31 December 2018	**1,036,379**	**41,455**

Notes:

(1) On 4 January 2017, the Company and the subscribers entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the subscribers have agreed to subscribers for a total of 115,153,225 shares at the subscription price of HK$0.329 per subscription share. The net proceeds raised from the subscription in aggregate amount was approximately HK$37,808,000.

(2) On 29 March 2017, the Company entered into an underwriting agreement with an underwriter by issuing 345,459,675 rights shares on the basis of one right share for every two shares at subscription price of HK$0.3. All conditions set out in the underwriting agreement have been fulfilled on 5 May 2017, and the dealings in the rights shares were commenced on the Stock Exchange on 15 May 2017. The net proceeds raised from the rights issues in aggregate amount was approximately HK$99,814,000.

27. SHARE OPTION SCHEME

The Share Option Scheme

Pursuant to an ordinary resolution passed in the annual general meeting held on 9 May 2012 ("Adoption Date"), the Company conditionally approved and adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group and to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Adoption Date.

27. SHARE OPTION SCHEME *(Continued)*

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full time or part time employee, including any executive directors) of the Group or any entity in which the Group holds any equity interest (the "Invested Entity");

(ii) any non-executive director (including independent non-executive directors) of the Group or any Invested Entity;

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

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

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliances or other business arrangement, or otherwise, to the development and growth of the Group.

The number of shares which may be issued under the Share Option Scheme is subject to the following limitations:

(i) The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the total number of Shares in issue from time to time; and

(ii) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at the adoption.

Pursuant to an ordinary resolution passed in the annual general meeting held on 13 May 2015 (the "2015 AGM"), the Company approved the refreshment of the scheme mandate limit, which is 10% of the total number of the issued shares of the Company as at the date of the 2015 AGM, under the Share Option Scheme. After the refreshment of the scheme mandate limit, a total of 383,844,900 share options (the "Scheme Mandate Limit") is available for issue under the Share Option Scheme as at the date of the 2015 AGM which represented 10% of the total number of the issued shares of the Company as at the date of the 2015 AGM. As at the date of this annual report, the Scheme Mandate Limit was fully utilised for the upward adjustment of 17,943,640 share options after the open offer completed in 2015 and for the grant of 365,901,260 of share options to certain eligible participants on 18 January 2016, subject to acceptance of the eligible participants, under the Share Option Scheme.

27. SHARE OPTION SCHEME *(Continued)*

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

(i) the closing price of shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and

(iii) the nominal value of the shares.

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Adjusted exercise price
8 January 2015	Vested upon granted	8 January 2015 to 9 May 2022	HK$0.250	HK$1.644
18 January 2016	Vested upon granted	18 January 2016 to 9 May 2022	HK$0.065	HK$0.488
11 January 2018	Vested upon granted	11 January 2018 to 9 May 2022	HK$0.370	N/A

27. SHARE OPTION SCHEME *(Continued)*

Note:

For the share options granted on 18 January 2016 and 8 January 2015, the exercise price per share as at 31 December 2017 had been adjusted with the effects of the rights issue completed in May 2017. Further details are set out in Note 26 to the consolidation financial statements.

The exercise price of share options was adjusted subsequent to the completion of open offer on 24 April 2015 and share consolidation on 8 December 2016.

During the year ended 31 December 2016, the Company granted 365,901,260 share options to the certain Directors, employees and consultant of the Company under the Share Option Scheme at the subscription price of HK$0.065 per share option which were vested immediately and exercisable for the period between 18 January 2016 and 9 May 2022 (both dates inclusive) on 18 January 2016. As a result of the share consolidation which completed on 8 December 2016, the said outstanding 365,901,260 share options were adjusted to 45,737,657 share options conferring holders thereof to subscribe for up to a total of 45,737,657 shares, and the share options remained outstanding as at 31 December 2016. The subscription price per share option was adjusted from HK$0.065 to HK$0.520 per share option after taking into account of the effect of share consolidation in December 2016.

On 11 January 2018, a total of 54,876,000 options were granted to the directors of the Group and employees pursuant to the Share Option Scheme. The estimated fair value of share options granted on 11 January 2018 are approximately HK$12,087,000 and the amount of share-based payments has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 (2017: Nil).

The inputs into the model as grant date were as follows:

Grant date:	11 January 2018	18 January 2016	8 January 2015
Share price at the grant date:	HK$0.365	HK$0.064	HK$0.216
Exercise price:	HK$0.370	HK$0.065	HK$0.250
Expected volatility:	92.198%	80.08%	100.91%
Risk-free rate:	1.663%	1.144%	1.53%
Option period:	4.32 years	6.30 years	7.33 years
Fair value per option:	HK$0.2203	HK$0.044	HK$0.178

Expected volatility was determined by using the historical volatility of the Company's share price over the expected option period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

As the fair value of the services received could not be estimated reliably by the Company, the fair value of services received in return for share options granted on 11 January 2018, 18 January 2016 and 8 January 2015 were measured by reference to the fair value of share options granted and determined by an independent professionally qualified valuer. The estimate of the fair value of the share options granted were measured based on Binomial Model and Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise multiple are incorporated into the Binomial Model and Black-Scholes Option Pricing Model.

27. SHARE OPTION SCHEME *(Continued)*

Details of the terms and movements of the share options granted pursuant to the Share Option Scheme are as follows:

2018

Category of grantee	Date of grant	Exercise price HK$	Exercise price per share after adjustments HK$	Number of share options outstanding at 1 January '000	Granted during the year '000	Adjusted during the year '000	Lapsed during the year '000	Number of share options outstanding at 31 December '000
Directors								
Mr. Chen Ping	11 January 2018	0.370	0.370	-	10,356	-	-	10,356
Mr. Ma Jian Ying	11 January 2018	0.370	0.370	-	10,356	-	-	10,356
Mr. Tsang Chun Kit, Terence	11 January 2018	0.370	0.370	-	10,356	-	-	10,356
Mr. Hsu Bin Chun *(Resigned on 25 May 2018)*	11 January 2018	0.370	0.370	-	3,108	-	(3,108)	-
Mr. Shi Guang Rong	11 January 2018	0.370	0.370	-	1,032	-	-	1,032
				-	35,208	-	(3,108)	32,100
Employees and consultants	18 January 2016	0.065	0.488	12,259	-	-	(6,130)	6,129
	11 January 2018	0.370	0.370	-	19,668	-	-	19,668
				12,259	19,668	-	(6,130)	25,797
				12,259	54,876	-	(9,238)	57,897
Exercisable at the end of the year								57,897

2017

Category of grantee	Date of grant	Exercise price HK$	Exercise price per share after adjustments HK$	Number of share options outstanding at 1 January '000	Granted during the year '000	Adjusted during the year '000	Lapsed during the year '000	Number of share options outstanding at 31 December '000
Directors								
Mr. Chan Kwok Wing	8 January 2015	0.250	1.644	3,572	–	236	(3,808)	–
(resigned on 1 November 2017)	18 January 2016	0.065	0.488	5,750	–	380	(6,130)	–
Mr. Zhao Liang	8 January 2015	0.250	1.644	1,714	–	–	(1,714)	–
(resigned on 10 March 2017)	18 January 2016	0.065	0.488	5,750	–	–	(5,750)	–
				16,786	–	616	(17,402)	–
Employees and consultants	8 January 2015	0.250	1.644	9,784	–	547	(10,331)	–
	18 January 2016	0.065	0.488	34,238	–	1,518	(23,497)	12,259
				44,022	–	2,065	(33,828)	12,259
				60,808	–	2,681	(51,230)	12,259
Exercisable at the end of the year								12,259

28. PRINCIPAL SUBSIDIARIES

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

Name of Subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up share capital	Percentage of issued capital held by the Company		Principal activities and place of operations
			Directly	Indirectly	
8192 Limited	Hong Kong, limited liability company	HK$1	100%	–	Provision of services in Hong Kong
Eigen Capital (HK) Limited (Formerly known as SINO CBM (Group) Holding Company Limited)	Hong Kong, limited liability company	HK$1	–	100%	Blockchain technology related business in Hong Kong
Sino Unique Limited	British Virgin Islands	USD$1	100%	–	Investment holding in Hong Kong
China Glory International Holdings Limited	Hong Kong, limited liability company	HK$1	–	100%	Blockchain technology related business in Hong Kong
蔚藍環保技術服務（深圳）有限公司	The PRC, limited liability company	HK$50,000,000	–	100%	Trading business in the PRC
Energy China Investment Company Limited	Hong Kong, limited liability company	HK$50,000	100%	–	Investment holding and marketing services in Hong Kong
中達博誠能源科技（深圳）有限公司	The PRC, limited liability company	HK$132,000,000	–	100%	Investment holding and trading business in the PRC
深圳市順天運環保科技有限公司	The PRC, limited liability company	RMB20,000,000	–	51%	Rental of air-conditioners in the PRC
United Property Finance Limited	Hong Kong, limited liability company	HK$4	–	100%	Money lending in Hong Kong
Hing Lee Securities Limited	Hong Kong, limited liability company	HK$28,000,000	–	100%	Securities trading in Hong Kong
Even Reward Limited	British Virgin Islands	USD$1,000	100%	–	Investment holding in Hong Kong
Tide Global Exchange Technology Limited	Hong Kong, limited liability company	HK$5,800,000	–	51%	Blockchain technology related business in Hong Kong

28. PRINCIPAL SUBSIDIARIES *(Continued)*

None of the subsidiaries had any debt securities outstanding at the end of the year.

The above table lists the subsidiaries of the Group, which, in the opinion of the directors, principally affected the results or assets of the Group. To give detail of other subsidiaries would, in the opinion of the directors, result in particulars of excessive lengths.

Details of non-wholly owned subsidiary that has material non-controlling interests:

Name of subsidiary	Place of incorporation/ registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests	Loss allocated to non-controlling interests		Accumulated non-controlling interests	
			2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
深圳市順天運環保科技有限公司	The PRC	49%	**(12,737)**	(6,321)	**(25,983)**	(14,401)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2018 HK$'000	2017 HK$'000
Non-current assets	**16,526**	36,160
Current assets	**8,498**	17,709
Current liabilities	**(74,987)**	(80,090)
Equity attributable to owners of the Company	**(23,979)**	(11,820)
Non-controlling interests	**(25,983)**	(14,401)

	2018 HK$'000	2017 HK$'000
Revenue	**3,509**	4,804
Expenses	**(29,502)**	(17,703)
Loss for the year	**(25,993)**	(12,899)
Loss attributable to owners of the Company	**(13,256)**	(6,578)
Loss attributable to owners of the non-controlling interests	**(12,737)**	(6,321)
Loss for the year	**(25,993)**	(12,899)

28. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that has material non-controlling interests: *(Continued)*

	2018 HK$'000	2017 HK$'000
Other comprehensive income/(loss) attributable to owners of the Company	**1,213**	(763)
Other comprehensive income/(loss) attributable to owners of the non-controlling interests	**1,155**	(735)
Other comprehensive income/(loss) for the year	**2,368**	(1,498)
Total comprehensive loss attributable to owners of the Company	**(12,043)**	(7,341)
Total comprehensive loss attributable to owners of the non-controlling interests	**(11,582)**	(7,056)
Total comprehensive loss for the year	**(23,625)**	(14,397)
Dividend paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(1,343)**	(755)
Net cash inflow from investing activities	**552**	204
Net cash outflow	**(791)**	(551)

Significant restriction

Cash at bank and in hand dominated in RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide restrictions on exporting capital from the PRC, other than through normal dividend.

29. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		172	748
Interests in subsidiaries		168,168	330,363
		168,340	331,111
Current assets			
Other receivables, deposits and prepayments		1,314	1,119
Cash and cash equivalents		1,703	2,826
		3,017	3,945
Current liabilities			
Accruals deposits received and other payables		572	646
Net current assets		2,445	3,299
Total assets less current liabilities		170,785	334,410
Net assets		170,785	334,410
Equity			
Share capital	26	41,455	41,455
Reserves		129,330	292,955
Total equity		170,785	334,410

Approved and authorised for issue by the board of directors on 30 April 2019 and signed on its behalf by:

Chen Ping *Director*	**Ma Jian Ying** *Director*

29. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(b) Movement of the Company's reserves

	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	514,940	1,030	742	34,875	(331,804)	219,783
Placing of new shares	33,279	–	–	–	–	33,279
Transaction costs relating to placing of new shares	(77)	–	–	–	–	(77)
Rights issue	89,820	–	–	–	–	89,820
Transaction costs relating to rights issue	(3,824)	–	–	–	–	(3,824)
Lapse of share options	–	–	–	(30,827)	30,827	–
Net loss for the year	–	–	–	–	(46,026)	(46,026)
At 31 December 2017	634,138	1,030	742	4,048	(347,003)	292,955
Impact on initial application of HKFRS 9	–	–	–	–	(53)	(53)
Restated balance at 1 January 2018	634,138	1,030	742	4,048	(347,056)	292,902
Issue of share options *(Note 26)*	–	–	–	12,087	–	12,087
Lapse of share options *(Note 26)*	–	–	–	(2,709)	2,709	–
Net loss for the year	–	–	–	–	(175,659)	(175,659)
At 31 December 2018	**634,138**	**1,030**	**742**	**13,426**	**(520,006)**	**129,330**

The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2002 and the nominal amount of the Company's shares issued for the acquisition.

30. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the total future minimum lease payments of the Group under non-cancellable operating lease which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	4,437	4,532
In the second to fifth year inclusive	1,122	3,163
	5,559	7,695

The Group leases premises under operating leases. Leases are mainly negotiated at terms which range from two to three years (2017: two to three years), without any option to renew the lease terms at the expiry date and do not include any contingent rentals.

31. DISPOSAL OF SUBSIDIARIES

(i) On 15 October 2018, the Group entered into a sale and purchase agreement (the "SP Agreement") with Rainbow Edge Limited, a company incorporated in Seychelles with limited liability, for the disposal of its entire interests in Wonderful Dream Limited and its subsidiaries, at a consideration of approximately HK$54,632,000 which was settled by transferring the 91,240,875.9 units of XPA to the Group. The disposal was completed on 15 October 2018.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	228
Intangible asset *(Note 14)*	73,646
Other receivables	296
Cash and bank balances	50
Accruals and other payables	(101)
Net assets disposed of	74,119

Loss on disposal of subsidiaries

	HK$'000
Consideration received	54,632
Net assets disposed of	(74,119)
Loss on disposal	(19,487)

Net cash outflow from disposal of subsidiaries

	HK$'000
Consideration received in cash and cash equivalents	–
Less: cash and cash equivalent balances disposed of	(50)
Net cash outflow from disposal of subsidiaries	(50)

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

(ii) On 2 November 2018, the Group entered into a sale and purchase agreement (the "SP Agreement") with 鄭耿忠, a PRC citizen, for the disposal of its entire interests in 深圳市瑞風節能環保設備有限公司 at a consideration of RMB1. The disposal was completed on 2 November 2018.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	130
Other receivables, deposits and prepayments	4,251
Cash and bank balances	2
Accruals and other payables	(1,251)
Net assets disposed of	3,132

Loss on disposal of subsidiary

	HK$'000
Consideration received	–
Net assets disposed of	(3,132)
Cumulative exchange loss in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	(172)
Loss on disposal	(3,304)

Net cash outflow from disposal of subsidiary

	HK$'000
Consideration received in cash and cash equivalents	–
Less: cash and cash equivalent balances disposed of	(2)
Net cash outflow from disposal of subsidiary	(2)

32. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had also entered into the following related party transactions during the reporting period.

(a) Transactions with related parties

	2018 HK$'000	2017 HK$'000
Service income received *(Note (i))*	**(210)**	–
Realised gains from OTC trading, net *(Note (i))*	**(13)**	–
Administrative cost paid *(Note (i))*	**19,026**	1,793
Consultancy fee expense paid *(Note (i) and (ii))*	**–**	1,995
License fee paid for cryptocurrencies trading platform *(Note (i))*	**9,360**	604
Purchase costs paid for cryptocurrencies *(Note (i))*	**93**	–

Note:

(i) The executive directors and shareholders of the Company, Mr. Chen Ping and Ms. Ma Jian Ying, are also the directors and beneficial interest owners of the related companies.

(ii) The consultancy fee expenses paid represents the consultancy services for expanding the securities trading business of the Group. Detail refer to the announcement dated on 7 December 2017.

For the transactions constitute non-exempted connected transactions under the Listing Rules, please refer to the sections "Connected Transaction" and "Continuing Connected Transactions" under the "Report of the Directors".

(b) Key management personnel compensation

The remuneration of directors and other members of key management during the year was as follows:

	2018 HK$'000	2017 HK$'000
Salary and other short-term employee benefits	**8,561**	6,413
Employer's contribution to retirement scheme	**181**	108
Share-based compensation	**10,036**	–
	18,778	6,521

33. DIVIDENDS

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest risk which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the directors closely monitor and focus on actively securing the Group's short to medium term cash flows by minimising the exposure to financial market.

The Group does not actively involve in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

(i) Interest rate risk

The Group's exposure to changes in interest rates mainly due to cash and cash equivalents which earn interest at floating rates. However, the directors are of the opinion that the sensitivity of the Group's result for the year to the reasonably possible change in interest rate in the coming twelve months is considered as minimal.

(ii) Foreign currency risk

The Group mainly operates in Hong Kong and the PRC. The functional currencies of the Company and its subsidiaries are mainly HK$ and RMB with certain of their business transactions being settled in RMB. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As the functional currency of the PRC subsidiary is also RMB, thus, the management considered the foreign exchange exposure is minimal. The Group currently has not entered into any contracts to hedge its foreign currency risk. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise. The sensitivity analysis of 5% change in foreign currency rates as followings:

Sensitivity analysis

	Liabilities		Assets	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
RMB	**9,448**	12,173	**106,546**	133,341
Increase in loss for the year			**4,855**	6,058

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Credit risks and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, other receivables and deposits, loans receivable, amounts due from related companies, client trust bank balances and cash and cash equivalents. At 31 December 2018, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

Credit evaluations are performed on all customers requiring credit terms. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as to the economic environment.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arises when the Group has significant exposure to individual customers. The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the largest receivable was approximately 42.7% (2017: approximately 48.6%) of the Group's total trade receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. As at 31 December 2018 and 2017, the Group does not provide any guarantees which would expose the Group to credit risk.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Under HKAS 39, impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach on trade receivables to provide for the ECL prescribed by HKFRS 9. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix (2017: incurred loss model). As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Credit risks and impairment assessment *(Continued)*

Trade receivables *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 1 January 2018 and 31 December 2018:

At 31 December 2018

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.67	83,905	(561)
1 – 90 days past due	–	–	–
91 – 180 days past due	–	–	–
More than 180 days past due	–	–	–
	0.67	83,905	(561)

At 1 January 2018

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.50	84,806	(425)
1 – 90 days past due	–	–	–
91 – 180 days past due	–	–	–
More than 180 days past due	–	–	–
	0.50	84,806	(425)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Credit risks and impairment assessment *(Continued)*

Trade receivables *(Continued)*

The closing loss allowances for financial assets at amortised cost including trade receivables, other receivables and deposits, loans receivable, amounts due from related companies as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables HK$'000	Other receivables and deposits HK$'000	Loans receivable HK$'000	Amounts due from related companies HK$'000	Total HK$'000
At 31 December 2017–HKAS 39	–	(2,389)	–	–	(2,389)
Amounts re-measured through opening – Accumulated losses	(425)	(291)	(529)	(292)	(1,537)
At 1 January 2018–HKFRS 9	(425)	(2,680)	(529)	(292)	(3,926)
Increase in loss allowance recognised in profit or loss during the year	(583)	(3,675)	(32)	(362)	(4,652)
Reversal of loss allowance recognised in profit or loss during the year	420	8	527	292	1,247
Exchange realignment	27	273	–	–	300
At 31 December 2018–HKFRS 9	**(561)**	**(6,074)**	**(34)**	**(362)**	**(7,031)**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than agreed contract terms.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Further qualitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables, other receivables and deposits, loans receivables and amounts due from related companies are set out in Notes 17, 18, 19 and 21.

The management monitored the financial background and creditability of those debtors on an ongoing basis. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history. In this regard, the directors consider that the Group's credit risk is significantly reduced.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Credit risks and impairment assessment *(Continued)*

Other receivables and deposits

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

Loans receivable

Management has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's loans receivable at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts. As at 31 December 2018, the directors of the Company are of the opinion that provision for impairment on individual loans is necessary in respect of these balances. A loss allowance of approximately HK$34,000 was recognised for loans receivable as at the end of reporting period.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

Amounts due from related companies

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2018, the internal credit rating of amounts due from related companies were performing. The Group has assessed the expected credit loss rate for these receivables under lifetime expected losses method. A loss allowance of approximately HK$362,000 was recognised for amounts due from related companies.

Deposits with bank

In respect to the Group's deposit with bank, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations. Management will continues to monitor the position and will take appropriate action if their ratings are changed. As at 31 December 2018 and 2017, the Group has no significant concentration of credit risk in relation to deposit with bank.

Other than the credit risks mentioned above, the Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iv) Liquidity risks

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs are identified monthly.

The Group's liquidity is dependent upon the cash received from its customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The following table details the remaining contractual maturities of the Group's financial liabilities which are based on contractual undiscounted cash flows as summarised below:

	Weighted average effective interest rate %	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	Total carrying amount HK$'000	Total undiscounted cash flows HK$'000
At 31 December 2018					
Non-derivative financial liabilities					
Trade payables	–	10,377	–	10,377	10,377
Accruals and other payables	–	3,891	–	3,891	3,891
Amounts due to related parties	–	296	–	296	296
		14,564	–	14,564	14,564
At 31 December 2017					
Non-derivative financial liabilities					
Trade payables	–	12,988	–	12,988	12,988
Accruals and other payables	–	3,530	–	3,530	3,530
Amounts due to related parties	–	1,526	–	1,526	1,526
		18,044	–	18,044	18,044

(v) Fair values of financial instrument

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively, and

(ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(v) Fair values of financial instrument *(Continued)*

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Except as disclosed as above, the Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximates to their fair values.

(vi) Categories of financial instruments

The carrying amounts of the Group's financial instruments as recognised at 31 December 2018 and 2017 may be categorised as follows. See Note 3 for explanations about how the category of financial instruments affects their subsequent measurement.

	2018 HK$'000	2017 HK$'000
Financial assets at amortised cost:		
Client trust bank balances	2,160	1,925
Cash and cash equivalents	48,982	104,902
Trade receivables	83,344	84,806
Other receivables and deposits	1,656	2,472
Loans receivable	11,937	40,374
Amounts due from related companies	5,640	5,162
	153,719	239,641

	2018 HK$'000	2017 HK$'000
Financial liabilities at amortised cost:		
Trade payables	10,377	12,988
Accruals and other payables	3,891	3,530
Amounts due to related parties	296	1,526
	14,564	18,044

35. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to provide an adequate return to the owners of the Company;

(iii) to support the Group's sustainable growth; and

(iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners of the Company; return capital to owners of the Company; issue new shares; or sell assets to reduce debt.

Gearing ratio

The directors reviewed the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follows:

	2018 **HK$'000**	2017 HK$'000
Debts *(note 1)*	**296**	1,526
Cash and cash equivalents	**(48,982)**	(104,902)
Net cash	**(48,686)**	(103,376)
Equity *(note 2)*	**232,303**	365,499
Net debt to equity ratio	**N/A**	N/A

Notes:

1. Debt comprises amounts due to related parties as detail in Note 25.

2. Equity includes all capital and reserves attributable to owners of the Company.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Other borrowings HK$'000	Obligation under finance leases HK$'000	Total HK$'000
As at 1 January 2017	21,000	392	21,392
Repayment for other borrowings	(21,000)	–	(21,000)
Repayment for obligation under under finance leases	–	(392)	(392)
At 31 December 2017, 1 January 2018 and 31 December 2018	–	–	–

37. EVENTS AFTER THE REPORTING PERIOD

On 15 March 2019, United Property Finance Limited entered into the Third Extension Agreement with Infinity Wealth International Limited whereby, among other matters, (i) United Property Finance Limited agreed to extend the Second Extended Maturity Date to 8 September 2019 with retrospective effect from 8 March 2019 and (ii) the parties agreed that Infinity Wealth International Limited would pay the principal amount of the loan HK$10,000,000 and the interest accrued on the loan from the date of the Third Loan Agreement to the date of the Third Extended Maturity Date to United Property Finance Limited on the Third Extended Maturity Date. Details of the extension of the loan were set out in the Company's announcement dated on 15 March 2019.

38. NON-CASH TRANSACTION

During the year ended 31 December 2018, the Group disposed the entire issued share capital of Wonderful Dream Limited and its subsidiaries, at a consideration of approximately HK$54,632,000 which was settled by transferring the 91,240,875.9 units of XPA from the vendor to the Group. Detail information refer to Note 31(i).

During the year ended 31 December 2017, the Group had no non-cash transaction.

39. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods, comparative information is not restated. Further details of the change in accounting policies as disclosed in Note 2.

40. AUTHORISATION OF ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 April 2019.