CHINA FORTUNE INVESTMENTS
中國幸福投資

Annual Report 2018

CFI

中國幸福投資(控股)有限公司
China Fortune Investments (Holding) Limited

CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with Limited Liability)
(Stock code: 8116)

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

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

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This report, for which the directors of China Fortune Investments (Holding) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE PROFILE

DIRECTORS

Executive Directors

Mr. Cheng Chun Tak *(Chairman)*
Mr. Stephen William Frostick
Ms. Li Ka Ki
Mr. Pan Xiaodong (Removed on 30 April 2019)
Mr. Liu Yunming (Removed on 30 April 2019)
Mr. Xue Huixuan (Resigned on 1 May 2018)

Non-executive Director

Mr. Huang Shenglan

Independent Non-executive Directors

Mr. Lee Chi Hwa, Joshua
Mr. Xu Jingan
Mr. Chang Jun
Ms. Ching Wai Han (Resigned on 1 April 2019)

AUTHORISED REPRESENTATIVES

Mr. Stephen William Frostick
Mr. Chow Kin Wing *CPA, ACS, ACIS*

AUDIT COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Xu Jingan
Mr. Chang Jun

NOMINATION COMMITTEE MEMBERS

Mr. Chang Jun *(Chairman)*
Mr. Xu Jingan
Mr. Lee Chi Hwa, Joshua

REMUNERATION COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Chang Jun
Mr. Xu Jingan

COMPLIANCE OFFICER

Mr. Stephen William Frostick

COMPANY SECRETARY

Mr. Chow Kin Wing *CPA, ACS, ACIS*

AUDITORS

HLM CPA Limited
Room 1501-8, Tai Yau Building,
181 Johnston Road, Wanchai,
Hong Kong

PRINCIPAL BANKER

Dah Sing Bank, Limited
Standard Chartered Bank (HK) Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISORS

On Hong Kong Law:

Tang Tso & Lau Solicitors

On Cayman Islands Law:

Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681, George Town
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Shops 212-213, 2nd Floor,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands

Royal Bank of Canada
Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town
Grand Cayman KY1-1110,
Cayman Islands

Hong Kong

Tricor Abacus Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

STOCK CODE

8116

WEBSITE OF THE COMPANY

www.cfihk.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of China Fortune Investments (Holding) Limited and its subsidiaries (collectively, the "Group"), I am pleased to report the Group's results for the year ended 31 December 2018.

Affluent Grand Limited and its subsidiaries ("Affluent Group") engaged in Peer to Peer ("P2P") lending service business in People Republic of China ("PRC"). The operation of the Company's operating subsidiary of the P2P Business ("OPCO") has ceased entirely following its criminal investigation and intervention by the Public Security Bureau of Chengdu. The Company has conducted investigations into the affairs of the OPCO. The key finding of investigation were set out in the announcement dated 30 October 2019.

In 2018, the economic development varied around the globe. US-China trade conflicts creating pressure on the commodity market. During the Year, the Hong Kong economy was generally stable; and the growth rate of indicators slowed down.

During 2018, Maxpark Enterprises Limited and its subsidiaries ("Maxpark Group") continues to maintain satisfactory results in the market of (i) retail sales and wholesales of wine products, cigars and tobacco; (ii) retail and trading of golf products; and (iii) renowned watch brands and luxury and prestigious jewelleries. The result of Maxpark Group would be unavoidably influenced by economic dilemma due to US-China trade conflicts.

Looking forward to 2019, the Group will continue to strengthen the core competitiveness, exert greater efforts in its existing businesses. However, the sales performance in Hong Kong was hit by the ongoing social incidents in Hong Kong since June 2019, leading to significant decline in tourist traffic and very sluggish consumer sentiment. The Board will also continue to seek suitable investment opportunities to diversify the business risk of the existing portfolio.

I would like to express my sincere gratitude to all shareholders, directors and employees of the Group for their tremendous support!

Cheng Chun Tak
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Wine, Cigar and Golf products retail and trading business and trading of internationally renowned watch brands and luxury and prestigious jewelleries in Hong Kong

Maxpark Enterprises Limited ("Maxpark") and its subsidiaries (collectively "Maxpark Group") engages in the retail and trading business of wine, cigar and golf products and trading of internationally renowned watch brands and luxury and prestigious jewelleries through 6 direct subsidiaries all of which are incorporated in Hong Kong, namely Queensway Wine International Limited, Queensway Wine (Hong Kong) Limited, Queensway Golf International Limited, Mass Fortune (Asia) Limited and Kasco (Hong Kong) Limited ("HK Subsidiaries"), Queensway Watch & Jewellery Limited ("Queensway Watch"). Kasco (Hong Kong) Limited is a direct subsidiary of Maxpark and held as to 90.5% by Maxpark and 9.5% by an Independent Third Party.

Wine and cigar business

I Products

Maxpark Group sells a wide variety of wine products including red wine, white wine, champagne, whisky and other liquors and spirits, with particular focus on premium red wine produced from the leading wineries in France, namely Château Lafite Rothschild in Pauillac, Château Latour in Pauillac, Château Margaux in Margaux, Château Haut-Brion in Pessac-Léognan and Château Mouton Rothschild in Pauillac. The origin of the wine are mainly from France, the United States and Italy. Maxpark Group also sells cigar and tobacco which are considered to be complementary to the needs of the customers for the wine products.

II Suppliers

Maxpark Group sources its wine products from both overseas and local wine distributors and merchants. Overseas suppliers include wine distributors and merchants for leading wineries in France, United Kingdom, United States, Italy, Chile and Australia. Maxpark Group obtains its supplies for cigar and tobacco products from local distributors.

III Customers

The customers for Maxpark Group's wine products include corporations engaging in entertainment, travel, restaurants and luxury products businesses and high net-worth individuals.

IV Storage

Maxpark Group's wine inventory are stored either at its retail shop or at external warehouses which are equipped with automatic air-conditioning system to control the humidity and temperature of the storage environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Golf business

I Products

Maxpark Group sells a wide range of golf related products including golf club, ball, shoes, glove, clothing and other accessories of various reputable brands from different countries.

II Suppliers

Maxpark Group mainly sources its golf products from local distributors with the exception of "Kasco" brand products which are sourced directly from Kasco's Japan and Taiwan office. Maxpark Group is the sole distributor in Hong Kong of "Kasco" brand golf products. "Kasco" is a well-known Japanese golf brand with over 50 years' history. Maxpark Group will also source products from overseas suppliers according to customers' needs.

III Customers

The customers for Maxpark Group's golf products include individual retail customers, local corporate customers such as banks and large corporations. Wholesale customers are mainly local golf clubs and golf retail shops.

Wine, Cigar and Golf products retail stores

Maxpark Group currently operates one shop for retail of wine products, cigar and tobacco and one shop for retail of golf products. The two shops are leased properties located next to each other at Shun Tak Centre, Sheung Wan, Hong Kong and occupy a total gross floor area of approximately 4,100 square feet.

Watch & Jewelleries business

I Products

Queensway Watch will focus on high-grade watch products. Tourbillion, Luxury watch or Miniature Painting watch be the initial type of products to source by Queensway Watch.

II Supplier

Queensway Watch will sources the watch products mainly from the manufacturer directly in United States and Switzerland. The suppliers including Richard Mille, Audemars Piguet and Bovet 1822 which are the large and well-known luxury watch producer in the market.

III Customers

The customers for Queensway Watch mainly include high net-worth individuals.

MANAGEMENT DISCUSSION AND ANALYSIS

Money Lending Business in Hong Kong

China Fortune Investments Finance Limited ("CFI Finance") is an indirect subsidiary of the Group, which was incorporated in November 2016 in Hong Kong. A money lender license was granted to CFI Finance in June 2017 in accordance with the Money Lenders Ordinance to carry on money lending business. CFI Finance provides customers with a wide range of loan products and services to meet their financial needs. CFI Finance provides secured loans to customers including individuals and corporations. The money lender license was expired in June 2019.

P2P online credit platform in China

Affluent Grand Limited ("Affluent") and its subsidiaries (collectively "Affluent Group") engages in the P2P online lending services in the PRC through its indirect subsidiary 口貸網絡服務股份有限公司("OPCO"). OPCO provides matching services to borrowers and private lenders ("P2P business").

According to the Company's announcements dated 5 October 2018, 18 October 2018, 16 November 2018, 21 December 2018, 24 January 2019, 8 February 2019, 8 May 2019, and 2 August 2019 in relation to the Group's operation of the P2P online platform and loan facilitation services in China, the Company has set up an investigation committee to investigate into the financial, operational and other affairs of OPCO. An independent investigator was appointed by the investigation committee on 24 January 2019. For details key findings of the independent investigation, please refer to the Company's announcement dated 30 October 2019. Due to the uncertainly over the prospect in the P2P business, the board determined to discontinued all the Group's P2P business operations since 1 September 2018.

Group's other business

Apart from the above mentioned, the Group had no other significant acquisition or disposal of investments during the year ended 31 December 2018.

Furthermore, the Group continues to explore any other new potential investment opportunities to improve the Group's standard performance and returns to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2018, the consolidated revenue of the Group from continuing operations was approximately HK$249.03 million and HK$215.81 million in 2017. Gross profit in 2018 is approximately HK$45.25 million (2017: HK$65.75 million) and gross profit margin of approximately 18% (2017: 30%).

The revenue approximately HK$73.89 million was generated from the retail and wholesales of wine, cigar and golf products, HK$171.03 was generated from the retail of watch and jewelleries products, HK$1.65 million was generated from loan interest income and HK$2.46 million was generated from travel agency income.

Other income

The other income from continuing operations was approximately HK$946,000 for the year ended 31 December 2018 (2017: HK$4.39 million). Other income mainly included waiver of accrued salaries and other financing service income.

Selling and distribution expenses

Selling and distribution expenses from continuing operations was approximately HK$6.76 million for the year ended 31 December 2018 (2017: HK$6.09 million). Selling and distribution expenses mainly included rental expenses, salaries and wages and building management fees.

Administrative expenses

Administrative expenses from continuing operations was approximately HK$34.37 million for the year ended 31 December 2018 (2017: HK$29.44 million). Administrative expenses mainly included rental expenses, legal and professional fees, salaries and wages and amortisation of intangible assets.

Finance costs

Finance costs from continuing operations increased from approximately HK$26.96 million for the year ended 31 December 2017 to approximately HK$43.65 million for the year ended 31 December 2018. The finance costs were mainly consisted of imputed interest on convertible bond and interest on promissory note. The increase of finance costs was mainly attributed to the interests on promissory notes.

Results of the Group's operations

Loss attributable to shareholders of the Company was approximately HK$342.47 million for the year ended 31 December 2018, compared with the profits approximately HK$2.46 million for the year ended 31 December 2017. The change was mainly attributed to the lost of control in subsidiaries in Chengdu resulting in the deconsolidation on the subsidiaries.

Dividends

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalents as at 31 December 2017 and 2018 amounted to approximately HK$226.15 million and HK$23.12 million respectively. The significant decrease in cash and cash equivalents in 2018 was mainly attributed to the deconsolidation of Chengdu subsidiaries. The major capital resources of the Group included cash generated from operating activities and the proceeds raised by the Group in Hong Kong.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

GEARING RATIO

As at 31 December 2018, the Group's gearing ratio (total liabilities by total assets) is approximately 85% (31 December 2017: approximately 53%). It is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

CAPITAL STRUCTURE

In January 2014, the Group issued convertible bonds with principal amount of HK$312 million (the "CB I"). For the CB I, approximately HK$257.40 million was converted in previous years. As at 31 December 2018, principal amount of HK$54.60 million CB I was outstanding.

In September 2017, the Group issued convertible bonds with principal amount of HK$69 million (the "CB VII") as repayment of the convertible bonds aggregate outstanding amount of HK$69 million issued on 3 August 2016 and 24 August 2016 respectively. The CB VII do not bear any interest. The effective interest rate of liability is 19.66% per annum. The maturity dates is on the first anniversary of the date of issue of the CB VII. The CB VII was fully redeemed during the year.

In November 2017, the Group issued convertible bonds with principal amount of HK$80 million (the "CB VIII") as part of the consideration for acquisition of Affluent Grand Limited. The CB VIII do not bear any interest. The effective interest rate of liability is 18.72% per annum. The maturity dates is on the fifth anniversary of the date of issue of the CB VIII. As at 31 December 2018, principal amount of HK$80 million CB VIII was outstanding.

In April 2018, the Group issued convertible bonds with an aggregate principal amount of HK$100 million due in 2023 with conversion price of HK$0.42 per share (the "CB IX") as final consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB IX does not bear any interest. The effective interest rate of the liability component is 19.15% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB IX. As at 31 December 2018, the CB IX with an aggregate principal amount of HK$100 million remain outstanding.

For details, please refer to note 26 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON GROUP ASSET

As at 31 December 2018, the carrying amount of inventories of approximately HK$120,455,000 have been secured for promissory notes with carrying amount of HK$79,350,000 as at 31 December 2018. Save as disclosed above, no other Group's assets were charged or pledged to secure any loans or borrowings.

FOREIGN EXCHANGE EXPOSURE

Since the Group's sales, purchases and loans were substantially denominated in either Renminbi or Hong Kong Dollar, the Directors of the Company consider that the potential foreign exchange exposure of the Group is limited.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed a workforce with head count of 45. Employee benefit expenses, including directors' emoluments, amounted to approximately HK$17.09 million. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to retirement benefits scheme and medical insurance.

ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed above, the Group had no other acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, the Group did not have any future plans for material investments or capital assets as at 31 December 2018.

SIGNIFICANT INVESTMENT

Save as disclosed above, the Group did not have any significant investment as at 31 December 2018.

ACTIONS TO ADDRESS THE AUDIT QUALIFICATION

As disclosed in this report, the auditor of the Company, HLM CPA Limited, issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2018 in relation to de-consolidation of subsidiaries. The Company has discussed with the auditors of the Company for actions to be taken (if any) with the aim to removing all audit qualifications for the next year ending 31 December 2019. During the year 2019, the Company completed the investigation on the operations in the deconsolidated subsidiaries and found that all financial documents and records of deconsolidated subsidiaries had been seized by the Economic Investigation Brigade for the investigation and relevant senior management personnel of deconsolidated subsidiaries could not be contacted. In the absence of any material change in circumstances in relation to the criminal investigation of the deconsolidated subsidiaries, the Company expects that the deconsolidated subsidiaries will remain to be deconsolidated for the year ending 31 December 2019 and as such, the auditor of the Company are in agreement that no further action is required to be made by the Company for removal of the audit qualification on de-consolidation of subsidiaries for the year ending 31 December 2019.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Corporate Governance Code (the "CG") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005. It sets out the principles of good corporate governance and the Company is required to comply with the code provisions of the CG. The Company is fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and our shareholders. The Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in this report, the Group has adopted practices which meets the code provisions of the CG.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the year 2018.

BOARD COMPOSITION

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company.

As at 31 December 2018, the Board comprises a total of 10 Directors, with 5 Executive Directors, namely Mr. Cheng Chun Tak (Chairman), Mr. Stephen William Frostick, Ms. Li Ka Ki, Mr. Pan Xiaodong (Removed on 30 April 2019) and Mr. Liu Yunming (Removed on 30 April 2019), 1 Non-executive Director, namely Mr. Huang Shenglan and 4 Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan, Mr. Lee Chi Hwa Joshua and Ms. Ching Wai Han (Resigned on 1 April 2019). One Independent Non-executive Director has appropriate professional qualifications, accounting and financial management expertise.

In compliance with the code provision A.2.1 of the CG Code, the roles of the Chairman and the CEO are distinct and separate with clear division of responsibilities, the executive Director and Chairman is responsible for formulating the overall strategies and policies of the Company. The CEO is in charge of the Company's day-to-day management and operations and focuses on implementing objectives, policies and strategies approved and delegated by the Board.

The Group has in place internal control system to perform the check and balance function. In addition, the Board comprises 10 Directors, the balance of power and authority between the Board and management will not be compromised.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

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

TRAINING AND SUPPORT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the Code on Directors' training.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director (if any) receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Directors had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers.

The Company from time to time will provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors during the year is summarised as follows:

Name of Directors	**Type of trainings**
Mr. Cheng Chun Tak *(Chairman)*	A,B
Mr. Stephen William Frostick	A,B
Ms. Li Ka Ki	A,B
Mr. Pan Xiaodong (Removed on 30 April 2019)	A,B
Mr. Liu Yunming (Removed on 30 April 2019)	A,B
Mr. Xue Huixuan (Resigned on 1 May 2018)	A,B
Mr. Huang Shenglan	A,B
Mr. Lee Chi Hwa, Joshua	A,B
Mr. Xu Jingan	A,B
Mr. Chang Jun	A,B
Ms. Ching Wai Han (Resigned on 1 April 2019)	A,B

A: attending training session/briefings/seminars/conferences/forums/workshops

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The Board meets regularly over the Company's affairs and operations. Details of the attendance of each member of the Board at the meetings of the Board, its respective committees and the general meetings during the year ended 31 December 2018 are as follows:

Name of Directors	Board Meeting Attended/ Eligible to attend	Audit Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	General Meeting Attended/ Eligible to attend
Number of meetings held during the financial year	20	3	3	3	1
Executive Directors					
Mr. Cheng Chun Tak *(Chairman)*	19/20	N/A	N/A	N/A	N/A
Mr. Stephen William Frostick	13/20	N/A	N/A	N/A	N/A
Ms. Li Ka Ki	20/20	1/3	N/A	N/A	N/A
Mr. Pan Xiaodong (Removed on 30 April 2019)	20/20	N/A	N/A	N/A	1/1
Mr. Xue Huixuan (Resigned on 1 May 2018)	N/A	N/A	N/A	N/A	N/A
Mr. Liu Yunming (Removed on 30 April 2019)	12/20	N/A	N/A	N/A	N/A
Non-executive Director					
Mr. Huang Shenglan	13/20	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Lee Chi Hwa, Joshua	19/20	3/3	3/3	3/3	N/A
Mr. Xu Jingan	13/20	3/3	3/3	3/3	N/A
Mr. Chang Jun	13/20	3/3	3/3	3/3	N/A
Ms. Ching Wai Han (Resigned on 1 April 2019)	12/20	N/A	N/A	N/A	N/A

All of the Independent Non-executive Directors were unable to attend the Company's annual general meeting held on 27 June 2018 during the year due to other prior business engagements.

NON-EXECUTIVE DIRECTORS

The Non-executive Directors are subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles").

All the existing Non-executive Directors are appointed for an initial term of three years and the term of office shall continue after the expiration of the initial term until at least 1 month's prior written notice is given by the Director. The remuneration packages for Non-executive directors are determined by the Board of Directors. They are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the Share Option Scheme.

REMUNERATION OF DIRECTORS

A Remuneration Committee was formed on 30 October 2005 for, inter alia, the following purposes:–

(a) to make recommendations to the Board on policies and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for Executive Directors and senior management and to make recommendations to the Board on the remuneration of Non-executive Directors.

The Remuneration Committee is made up of the Company's Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan and Mr. Lee Chi Hwa Joshua. Mr. Lee Chi Hwa Joshua is the Chairman of the Remuneration Committee.

Meetings have been held in 2018 to review the remuneration packages of Executive Directors, which are nominal by market standards. The Directors' fees of the Company's Independent Non-executive Directors have not been changed during the year according to market levels. The Remuneration Committee held 3 meetings during the year to consider and approve (a) bonus payments to employees of the Group, (b) salary increases of senior management of the Group and (c) range of salary increase for employees of the Group.

The Remuneration Committee will meet and determine the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's Directors in 2018.

NOMINATION OF DIRECTORS

A Nomination Committee was formed on 31 October 2007 for, inter alia, the following purposes:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board;

(b) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and

(c) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee is made up of the Company's Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan and Mr. Lee Chi Hwa Joshua. Mr. Chang Jun is the Chairman of the Nomination Committee. The Nomination Committee held 3 meetings during the year to review the structure, size and composition of the Company's Board of Directors. The Nomination Committee was satisfied with the existing composition of the Company's Board of Directors and recommended no change in the near term.

The Nomination Committee will meet and determine the nomination procedures and the process and criteria to select and recommend candidates for directorship in 2019.

AUDITOR'S REMUNERATION

The remuneration in respect of audit provided by the auditors, HLM CPA Limited, to the Company for the year 2018 amounted to HK$950,000. Non-audit services amounted to HK$100,000 were provided by HLM CPA Limited during the year.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa Joshua, Mr. Xu Jingan and Mr. Chang Jun. Mr. Lee Chi Hwa Joshua is the Chairman of the Audit Committee. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2018, the Audit Committee held 3 meetings. The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Audit Committee also carried out and discharged its duties set out in the CG. In the course of doing so, the Audit Committee has met the Company's management, qualified accountant and external auditors in 2018.

CORPORATE GOVERNANCE FUNCTIONS OF THE BOARD

The Board is responsible for performing the corporate governance functions of the Group. The Board has reviewed this corporate governance report in discharge of its corporate governance functions, ensuring compliance with the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the consolidated financial statements, which give a true and fair view. The auditors are responsible for forming an independent opinion, based on the audit, on the consolidated financial statements prepared by the Directors and reporting the opinion solely to the shareholders of the Company.

INTERNAL AUDIT AND RISK MANAGEMENT

Internal Audit

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the shareholders' interests and the Company's assets.

The Group's has outsourced the internal control systems auditing function. The outsourced internal auditor reports directly to the Audit Committee and is responsible for conducting regular audits on the major activities of the Group.

The objective is to ensure that all important controls, including financial, operational compliance, and risk management functions are in place and functioning effectively.

During the year, the committee approved the annual internal audit plan. The plan includes a number of cyclical reviews of key operational functions to ensures that, while there is focus on areas deemed to be higher risk, all parts of the business will be covered over a three-year cycle.

The annual internal audit plan will be reviewed on a periodic basis to ensure that it is adapted as necessary to any changes in the Group's risk profile.

The Board has received a report from the outsourced internal auditor summarising audits concluded in the year. The report summarised internal audit findings and any action to be taken by management as a result.

After each audit, the findings and recommendations for improvement will be communicated to the respective management for their responses and corrective actions.

The Committee has reviewed the findings and recommendations made by the outsourced internal auditor and have ensured that any issues arising from the audit are appropriately resolved by management in an efficient and timely manner.

It should be recognised that such an audit can provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives.

Risk management

The Board has ultimate responsibility for risk and the oversight of the risk management process within the business. Recognising that risk is inherent in all of the Group's business dealings, and in the markets and instruments in which the Group operates, it places a high priority on ensuring that there is a strong risk management culture embedded throughout the Group, and accountability at all levels within the business. Effective risk management and strong internal controls are integral to the Group's business model and are reflected in the risk management framework adopted within the business.

The Board has delegated authority to the Audit Committee to provide oversight and independent challenge to ensure that the Group established an effective risk management framework and internal control systems. The Board oversees the Company's management in the design, implementation and monitoring of the risk management and internal control systems and such systems can only provide reasonable but not absolute assurance against material misstatement or loss resulting from business activities.

The Audit Committee conducted its annual review of the adequacy and effectiveness of the Group's risk management and internal control arrangements in relation to the Group's strategy and risk profile for the financial year.

Our risk management process

The risk management contains the following processes, which are connected to setting up targets, identification of risks, risk prioritisation and assessment, risk owner appointment, review, handling, reporting, follow-up, monitoring and reacting to identified risks.

A corporate risk register is maintained in order to track and document the risks identified and provides a detailed outline of the corporate risks facing the Group at a given point in time. It provides a description of the risk, risk owner assigned for ensuring the risk is managed appropriately, highlights the status of each corporate risk as well as what actions are currently in place, or are being progressed to further reduce the likelihood and impact of the risk occurring.

COMPANY SECRETARY

Mr. Chow Kin Wing ("Mr. Chow") is the Company Secretary of the Company ("Company Secretary"). He is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. During the year, the Company fully complied with Rules 5.14 of the GEM Listing Rules.

Up to the date of this report, Mr. Chow has undertaken not less than 15 hours of relevant professional training.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders and established a range of communication channels between itself, its shareholders and investors which in compliance with the GEM Listing Rules. During the year under review, there is no change in the Company's constitutional documents.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles, general meetings shall be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a Director of the Company are laid down in article 88 of the Articles. No person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to as a Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the head office or at the Registration Office. The minimum length of the period during which such notices are given shall be at least seven days and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by mail to Shops 212-213, 2nd Floor, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

About the Report

The Environmental, Social and Governance Report ("the Report") summarizes the initiatives, plans and performance of China Fortune Investments (Holding) Limited ("the Group" or "we") in the environmental, social and governance ("ESG") aspects, and illustrates the sustainability of our business activities in terms of ESG.

The Group adheres to the management policies of sustainable ESG development and is committed to handling the Group's ESG matters effectively and responsibly, which we believe are of great significance for our business and operation.

Reporting Framework

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Reporting Guide") set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

For the Group's corporate governance practices and further information, please refer to our 2018 annual report.

Reporting Period

The ESG Report elaborates on the Group's ESG events, challenges and measures during the year from 1 January 2018 to 31 December 2018 (the "Reporting Period").

Reporting Scope

The Group is principally engaged in the wholesale and retail of wine products, cigar and tobacco as well as retail and trading of golf products.

As of 31 December 2018, we had no manufacturing business. Unless specified otherwise, we obtained the information on ESG key performance indicator ("KPI") through the operation control mechanisms of the Group and its subsidiaries. We will continue to expand the scope of disclosure in the future when the Group has a more sophisticate data collection system and deepens the works in sustainable development.

Stakeholder Engagement

Stakeholders' participation is an indispensable process for the Group to continuously improve its sustainable development performance. Therefore, the Group values the opinions of various stakeholders on our operation and ESG matters. In order to comprehensively understand, respond to and address the major concerns of different stakeholders, we have maintained close communication with all these stakeholders, including but not limited to shareholders/investors, customers, suppliers, employees, the government and regulators, peers, chambers of commerce, industry associations, non-government institutions and media.

Through the diversified and effective communication channels, the expectations of stakeholders are incorporated into our operation and ESG strategies. The stakeholder engagement and communication channels are as follows:

Major Stakeholders	Communication Channel
Employees	Regular performance appraisals Channels for employees to express their opinions (such as complaint and reporting systems) Department meetings Internal trainings
Investors/Shareholders	Annual general meeting Annual reports and interim reports, announcements and circulars Investor meetings
Customers	Regular customer meetings Customer service hotlines and emails
Suppliers	Supplier management meetings and events Supplier on-site audit management policy
The government and regulators	Annual reports and interim reports, announcements and circulars On-site visits and inspections
Associations, non-government institutions and media	Voluntary activities Group activities ESG reports

Materiality Assessment

The management and employees that perform major functions in the Group have all participated in preparing the ESG Report to assist the Group in reviewing its operation, identifying relevant ESG matters, and assessing the importance of such relevant matters to our business and stakeholders. Information was collected from relevant departments and business units of the Group based on the major ESG matters that had been assessed.

For the year ended 31 December 2018, the Group confirmed that appropriate and effective management policies and control systems for ESG matters have been established and that the disclosed contents are in compliance with the requirements of the Reporting Guide.

Contact Us

We welcome any opinions and suggestions from stakeholders. Please feel free to provide your valuable opinions on the ESG Report or our performance in sustainable development via info@cfihk.com.hk.

2. ENVIRONMENTAL PROTECTION

2.1. Emissions

General Disclosures and Key Performance Indicators ("KPIs")

The Group endeavours to fulfil the social responsibility for environmental protection as its efforts to protect the Earth and build a sustainable future for our future generations. In order to monitor our environmental management and minimise the impacts of our business operation, the Group has formulated relevant policies for environmental management, while promoting employees' awareness on environmental protection and complying with relevant laws and regulations.

During the Reporting Period, the Group was not aware of any major violations against environmental laws and rules, including but not limited to the Noise Control Ordinance and the Waste Disposal Ordinance.

Exhaust Gas Emissions

As a company principally engaged in retail and trading business, the Group, given its business nature, does not carry out any industrial production or own any factories. Therefore, we do not directly produce a large amount of exhaust gas throughout our operation. Besides, the Group strives to achieve optimised use of resources in all of its business operations. In order to meet the targets of higher energy efficiency and less use of unnecessary materials, the Group has established relevant policies and procedures to manage the effective use of resources. Through adopting various energy-saving and emission reduction measures, we strive to minimise our environmental impacts and continuously address the environmental problems associated with global warming, pollutions and environmental diversity.

	Unit	2018
Nitrogen Oxides (NO_x)	g	87,710
Sulphur Oxides (SO_x)	g	272
Particulate Matter (PM)	g	8,404

Greenhouse Gas Emission

Most of the Group's greenhouse gas emission comes from, among others, gasoline consumed by vehicles and the electricity consumed by corporate offices. During the Reporting Period, the total greenhouse gas emission of the Group was approximately 65.1 tonnes and the total greenhouse gas emission per HKD 1 million of revenue was 0.26 tonnes. An overview of the greenhouse gas emissions is as follows:

Indicator[1]	**Total emissions (in tonnes)**	**Intensity – Quantity (tonnes) per HKD 1 million of revenue**[2]
Direct greenhouse gas emission (Scope I) – gasoline consumption	50.2 tonnes	0.20 tonnes
Indirect greenhouse gas emission (Scope II) – electricity consumption	14.9 tonnes	0.06 tonnes
Total greenhouse gas emission	65.1 tonnes	0.26 tonnes

Note:

1. Greenhouse gas emission data are presented in terms of carbon dioxide equivalence with reference to the requirements of, including but not limited to, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (《溫室氣體盤查議定書：企業會計與報告標準》) published by the World Resources Institute and the World Business Council for Sustainable Development, the Reporting Guidance on Environmental KPIs (《環境關鍵績效指標彙報指引》) published by the Stock Exchange and the 2017 Sustainability Report published by CLP Power Hong Kong Limited.

2. During the Reporting Period, the total revenue of the Group was HKD249.33 million. Other intensity data in the ESG Report are also measured using this data.

The Group actively adopts electricity-saving and energy-saving measures as well as other emission reduction initiatives to reduce greenhouse gas emission, which include encouraging employees to make the best use of the video conference facilities so as to avoid unnecessary travel arrangements; and actively implementing environmentally-friendly measures for energy-saving and water conservation.

Sewage Discharge

The domestic sewage produced by our businesses, which mainly comes from the daily use of water resources by employees at work, is discharged into municipal sewage treatments plant through drainage pipelines. There is no large amount of sewage being discharged throughout the daily operation.

Waste Management

In addition to energy-saving initiatives, the Group attaches particular importance to our waste management responsibilities. Given the business nature, the Group will not directly produce hazardous wastes during operation. We duly handle and dispose of wastes produced in the operation according to our waste management practices which are in compliance with relevant environmental protection laws and rules.

The waste of the Group mainly comes from office operation, including paper and other types of office supplies. We did not produce a large amount of hazardous wastes during the Reporting Period, but just limited non-hazardous wastes.

Non-hazardous wastes	Weight (Quantity)	Intensity – Unit/HKD 1 million of revenue
Paper	328 kg	1.32

By actively promoting various environmental friendly initiatives, we encourage effective use of such resources as paper, water and other raw materials, and endeavour to generate minimal non-hazardous wastes throughout our operation. As part of our environmental protection campaigns, all employees are encouraged to reduce paper usage by duplex printing, paper recycle and repeated use. In addition, we encourage suppliers to produce as less waste as possible by choosing recyclable packaging materials and reusing packaging materials wherever possible. We believe these initiatives reflect our commitment to offering the optimum services to our clients with the least adverse impact on our planet.

2.2. Use of resources/Energy Efficiency Management

General Disclosure and KPIs

The Group is aware that our major contribution to the greenhouse gas emission and energy footprints lies on the electricity consumption by our corporate offices and business premises. As such, we actively maintain a steady focus on reducing our energy consumption to manage our impacts on the environment, being committed to observing the "Indoor Temperature Energy Saving Charter" and the "No Incandescent Light Bulbs ("ILB") Energy Saving Charter" introduced by the Environment Bureau of the Government of Hong Kong Special Administrative Region.

Data on energy use and emission of the Group in 2018

Types of energy	Consumption (unit)	Intensity – Unit/HKD 1 million of revenue
Gasoline*	18,535 L	74.34
Electricity	18,859 kWh	75.64

* *Gasoline consumption in 2018 was equivalent to approximately 179,111.32 kWh*

The Group has developed a number of specific energy-saving initiatives to reduce greenhouse gas emission and conserve energy usage throughout our operation, including:

- equipment, machines and electronic devices shall be turned off after office hours;
- indoor temperature is maintained at an optimal level for comfort;
- signage are put up at appropriate areas to raise the awareness of energy-saving;
- LED lighting system is recommended to set up widely in workplaces in order to save energy during the office hours; and
- telecommunication system is recommended to replace unnecessary travel arrangements wherever appropriate and possible.

Water Consumption

Given our business nature, we do no consume a large amount of water resources throughout our operation. Hence, our operation does not discharge lots of sewage. The Group's water consumption mainly comes from daily water use by employees at work. As the Group encourages employees to save water, signage containing environmental protection messages are put up in kitchens and washrooms to enhance their awareness on water conservation.

Given its business nature and as its businesses are mainly based in Hong Kong, there is no problem for the Group to source water that is fir for purpose.

Use of Packaging Materials

As the Group is principally engaged in retail and trading businesses, packaging materials for the products mostly come from suppliers. Hence, we do not use a large quantity of packaging materials for the products. In addition, we encourage suppliers to produce as less waste as possible by choosing recyclable packaging materials and reusing packaging materials wherever possible.

2.3. The environment and natural resources

General Disclosure and KPIs

Working Environment

The Group considers environmental protection and preservation of natural resources as the integral parts of our sustainable and responsible operation. We are dedicated to providing a comfortable and green working environment for our employees in order to improve their productivity. We monitor and measure the indoor air quality of our workplaces and maintain satisfying indoor air quality by cleaning the air conditioning system on a regular basis. We also keep the office environment in a hygienic and clean condition.

3. SOCIAL

3.1. Employment

General Disclosure

Employees are the largest and most valuable assets of the Group that each of them is indispensable, especially during the provision of quality service experience to customers. Frontline employees play a significant role in particular. Therefore, the Group thoroughly explores the potential of employees through providing ideal workplaces, ongoing training programs and future career opportunities. As such, the Group has achieved continuously robust business performance and promising development.

The Group has formulated a series of relevant human resources management policies and complied with laws and regulations including but not limited to those related to employment in Hong Kong, which are the Employment Ordinance and the Minimum Wage Ordinance. During the Reporting Period, the Group was not aware of any major violations against employment-related laws and rules in Hong Kong.

Salaries and Benefits

Recruitment, promotion and salaries

Regular and festival gatherings such as Mid-Autumn Festival and Chinese New Year feasts are organised to enhance the harmonious spirit shared by different levels of staff members within the Group. The Group believes that such a corporate culture will naturally create a synergy to facilitate employee retention and improve productivity.

The Group has abided by the Labour Law of Hong Kong and relevant employment laws and regulations to provide competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other allowances to our employees. In the PRC, the Group has participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance in accordance with the Social Insurance Law of the People's Republic of China, and contributed housing provident funds as prescribed by the Regulations on the Administration of Housing Provident Fund.

Adhering to the people-oriented principle, the Group respects and safeguards the legitimate rights and interests of each employee. It standardises labour employment management to protect employees' occupational health and safety and enhances democratic management to safeguard the vital interests of employees, while fully respecting and focusing on motivating employees' initiative and creativity. A harmonious labour relationship is therefore fostered.

Equal opportunities and Anti-discrimination

With an objective to uphold an open, fair, just and reasonable human resource policy, the Group recruits and promotes employees based on virtues, skillsets and experience, irrespective of gender, age, race, religion, political affiliation, national origin, and/or disability.

During the Reporting Period, we continued to strictly follow the relevant laws and regulations and our employment policies, providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, to recruit and retain our experienced employees. We also provided a formal complaints procedure for employees to express their opinions.

3.2. Health and Safety

General Disclosure

The health, happiness and well-being of our employees are always the first and primary mission throughout our operation. The Group has been attaching great importance to providing a working environment that fosters engagement, growth and long-term care. We are committed to protecting employees from potential occupational hazards as well as health and safety risks, as we take a zero-tolerance attitude towards accidents and injuries.

In accordance with the applicable laws in Hong Kong, including but not limited to the Occupational Safety and Health Ordinance, we have formulated polices regarding workplace health and safety to be complied by all employees. From time to time, the Group conducts fire drills regularly and provides induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as possible.

We place first aid kits and other medical supplies in our offices to protect the health and safety of our employees, and provide a proper, clean and hygienic rest area in support of our commitment to offering a safe and healthy working environment. Sufficient ventilation and light systems are ensured in our offices and workplaces. Health and safety policies have also been formulated, including prohibition of smoking, alcohol and drug abuse in the workplaces.

During the Reporting Period, as the Group did not record any work injuries, the number of lost days due to injury at work was nil. In addition, we did not record any accidents that resulted in death or serious bodily injury, did not pay any reimbursements or compensations to the Group's employees due to such accidents, and was not aware of any major violations against laws and regulations related to employees' health and safety.

3.3. Development and Training

General Disclosure

Considering that each of the position is subject to unique professional requirements, the Group ensures that every new employee receives proper orientation training and mentoring in order to help them spontaneously adapt to the new working environment. Training programs offered by the Group to new employees cover different areas, such as specific skill development, internal systems, corporate culture, health and safety, business ethics, corruption prevention and highlights of the staff handbook.

Table 5 – Employee Training (2018)

	Unit	Training hours	Average training hours per person
All employees (Hong Kong)	hours	240	5.3

Furthermore, the Group encourages and supports employees to participate in personal and professional trainings in response to the relevant evolving market needs, such as changes in laws and regulations, market trends, product trends and customer behaviours. Based on the needs of individual employees, we also provide education allowances to facilitate improvement of their job skills and encourage them to maintain the non-stop learning spirit.

3.4. Labour Standards

General Disclosure

The Group strictly prohibits child labour and forced labour as defined by the laws and regulations during recruitment. The recruitment of the Group is conducted in strict compliance with relevant laws and regulations in Hong Kong, including the Employment Ordinance of Hong Kong. Personal information is collected and verified during recruitment to help select suitable candidates. Position and working hours are clearly stated in contracts to prevent forced labour.

During the Reporting Period, the Group was not aware of any major violations against laws and regulations related to child labour and forced labour, including but not limited to the Employment of Children Regulations and the Employment Ordinance.

4. SUPPLY CHAIN MANAGEMENT

General Disclosure

As part of the responsibility of an accountable corporate citizen, the Group is determined to embed the pursuit of sustainability in our core business. Accordingly, the Group has developed a series of management systems and procedures in alignment with the corporate governance requirements of the Stock Exchange. Furthermore, the Group encourages all business partners to incorporate these sustainability practices and policies into their operation thoroughly in order to work together with us in pursuit of sustainable development.

4.1. Supply Chain Management

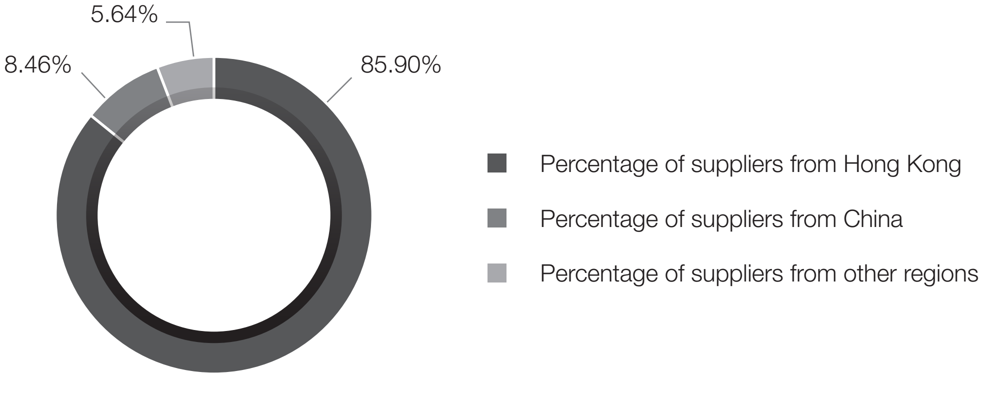
To better manage our supply chain, we are committed to actively collaborating with our suppliers to reduce potential environmental risks and deliver the highest standards of products and services precisely and consistently. The Group has developed a high quality and stable pool of suppliers and has never experienced any major difficulties in obtaining sufficient supply of satisfying products.

As the core of our business, our supply chain management team not only considers commercial interests during the tendering processes, but also assesses the track records of suppliers on compliance with legal, ethical and social aspects, such as use of child labour and forced labour, workplace health and safety, working hours, compensation, benefits and wages, mitigation of environmental impacts, workplace and product safety, protocols against sexual assault and gender discrimination, protocols against harassment and abuse, etc.

The number of suppliers during the Reporting Period is presented by geographic region in the chart below. We have developed a vendor and supplier selection mechanism under which we require our potential suppliers to comply with all the applicable laws and regulations related to safety assurance, environment and social aspects. To maintain good corporate management and governance, inspections and assessments may be conducted by the Group if deemed necessary.

We have also set up procedures to ensure that suppliers and sub-contractors may compete in a fair and open manner. Suppliers and sub-contractors will not be treated differently or discriminated during the selection process, and all types of commercial bribery will be strictly monitored and prevented.

Suppliers by Geographic Region



4.2. Product Responsibility

General Disclosure

In order to guarantee a high quality of products and services, the Group ensures that the products we offer are safe and with certified quality at the time of delivery. The Group values the opinions of customers and has established procedures that will be used to record and inquire claims and complaints from customers in order to handle customer feedbacks and complaints in a professional manner. Our account managers and suppliers will jointly investigate the reported cases, take follow-up actions and identify solutions to subsequently improve our operation. Feedbacks will be provided to the customers concerned in a timely manner.

During the Reporting Period, we were not aware of any major violations against laws and rules that were related to the health and safety, advertisements, labels, privacy and remedial measures for or of the products and services we offered and that had material impacts on the Group.

4.3. Personal Data Policy

General Disclosure

Throughout the operation, the Group unavoidably collects and keeps personal information of customers. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) to ensure that all personal data are securely kept in our customised LOGON system with access control. The Group has also set out data privacy requirements in our corporate policies, according to which customer data are used exclusively for matters relating to the Group's business operation. We have tried our best to ensure all personal data collected are kept properly and free of unauthorized or accidental access, processing, erasure or other uses.

4.4. Anti-Corruption

General Disclosure

In order to adhere to the honesty, integrity and fairness principles in all aspects of our business, uphold a high standard of business ethics and prohibit any forms of bribery and corrupt practices, the Group has developed a series of policies regarding anti-fraud, anti-bribery, anti-extortion and anti-money laundering with reference to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). These policies apply to all members of the Group, and we also encourage all of our business partners to observe these policies and principles.

The Group conducts regularly systematic fraud risk assessments and continues to monitor the effectiveness and deficiencies of its risk mitigation and control and environmental measures during collaboration with external parties.

During the Reporting Period, the Group was not aware of any significant non-compliance with the relevant laws and regulations related to bribery, extortion, fraud and money laundering. Such relevant laws and regulations include, without limitation, the Prevention of Bribery Ordinance.

5. COMMUNITY INVESTMENT

General Disclosure

The Group is committed to contributing to the society through community involvement. As a part of the community that we cherish so much, the Group has put its best effort in helping the local communities and people in needs in the society and contributing to the well-being of the community through employee volunteer programs, garment recycle programs and social enterprise supports. We have partnered with a number of NGOs on community outreach programs.

This year, the Company continued to actively participate in WWF's programs, including the "Eco Guided Visit: The Sustainable Lifestyle in Yuen Chau Tsai, Tai Po" on 4 October 2018. Employees gained a deeper understanding of environmental protection and sustainable lifestyle, and learned how to reduce plastic use in everyday life for protecting the ocean.

Going forward, as the Group shoulders the responsibility to contribute back to the society, it will continue to put emphasis on community services and encourage our employees to actively join voluntary services in order to help those in need in the society.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cheng Chun Tak, aged 57, is the Chairman of the Company, was graduated from Xidian University (formerly known as Xi Bei Institute of Telecommunications Engineering（西北電訊工程學院）) in 1983 and obtained a Master Degree in Engineering (Computer Science) from the Institute of Microelectronics of Shanxi（陜西微電子學研究所） in 1986. Mr. Cheng has been worked as the General Manager of Proxim Wireless Corporation (OTCQX: PRXM) from 2002 to 2004. Mr. Cheng is mainly responsible for the sales and after-sales services of that Company in the Greater China region, being Hong Kong, Mainland China, Macau and Taiwan. Mr. Cheng has extensive experience in the sales and customer services of communication industry in which he has over 25 years of experience in sales and customer services.

Mr. Stephen William Frostick, aged 70, he obtained a Juris Doctorate at Old College School of Law, Nevada, United States in 1984, a Master of Public Administration and a Bachelor of Science in Business Administration at the University of Nevada, Las Vegas, United States in 1976 and 1974 respectively. Mr. Frostick has over 40 years of experience in leading capacities in the State Government of Nevada, United States, large corporations and international consulting organisations. Mr. Frostick is well experienced in strategic planning, operational management and organisational development and has about 40 years of senior management experience. He joined the Group in 2007.

Ms. Li Ka Ki, aged 33, who holds a Bachelor Science degree in English Business Management from Jinan University. Ms. Li has over 9 years' experience in the field of public relation.

Mr. Pan Xiaodong, aged 50, was the Chairman of the Company. He obtained his EMBA from Dongbei University of Finance & Economics in 2010. Mr. Pan served as the Chairman of Dalian Rongtai Real Estate Limited（大連融泰房地產有限公司）and Dalian Yangguang Investment Management Limited（大連陽光投資管理有限公司）. He is currently the Chairman of Dalian Suniverse Group Co., Limited（大連陽光寰宇有限公司）. Mr. Pan has over 20 years of experience in business administration and over 10 years of experience in risk management and fund management. Mr. Pan was removed as executive director of the Company on 30 April 2019.

Mr. Liu Yunming, aged 47, was graduated from Dongbei University of Finance & Economics of Accounting in 1994-1999. Mr. Liu was a general manager of an accounting firm in China. He is currently the chief executive officer of Dalian Suniverse Group Co., Limited（大連陽光寰宇有限公司）. Mr. Liu has over 15 years of senior management experience. He joined the Group on 27 October 2017. Mr. Liu was removed as executive director of the Company on 30 April 2019.

Mr. Xue Huixuan, aged 51, is a holder of Bachelor's Degree of Beijing University of Civil Engineering and Architecture. He was an engineer of the Design Management Department of Sinopec International Petroleum Engineering Company, and took up duties in EDS department of Maison Worley Parsons E&C Company Limited in Beijing as a professional person-in-charge and a project manager. Mr. Xue has been engaged in engineering design, technology introduction, international cooperation, investment and financing as well as guarantee operations for a number of years. He has extensive experience in project management, technology management, financial management and actual operation. Mr. Xue resigned as executive director of the Company on 1 May 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Huang Shenglan, aged 68, holds a diploma in Arts from Huazhong Normal University, a master degree in International Economics from Huadong Normal University and a certificate in International Economic Law from Xiamen University. He also took the Advanced Management Programme from the Business School of Harvard University, USA. Mr. Huang was an Executive Director and the Deputy Governor of China Everbright Bank, Head Office. He is currently the Non-executive Director of Burwill Holdings Limited (stock code: 0024) and the Independent Non-executive Director of China LotSynergy Holdings Limited (stock code: 1371). All Companies are listed in Hong Kong Stock Exchange. Apart from the above, he did not hold any directorship in other listed companies in Hong Kong or overseas in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chi Hwa, Joshua, aged 47, is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. Mr. Lee has extensive experience in the fields of auditing, accounting and finance. Mr. Lee currently serves as an Independent Non-executive Director of Code Agriculture (Holdings) Limited (stock code: 8153) and Cornerstone Financial Holdings Limited (stock code: 8112), all of which are listed on the GEM of the Stock Exchange, and Hao Tian Development Group Limited (stock code: 474), Hao Tian International Construction Investment Group Limited (stock code: 1341) and Fujian Nuoqi Co., Ltd. (stock code: 1353), all of which are listed on Main Board of the Stock Exchange; and an Executive Director of China Healthcare Enterprise Group Limited (stock code: 1143), which is listed on Main Board of the Stock Exchange. Mr. Lee joined the group in 2007.

Mr. Xu Jingan, aged 77, was graduated from Shanghai Fudan University with a Bachelor in Journalism in 1964. Mr. Xu previously served as the Vice Chairman of Shenzhen Stock Exchange. He has more than 30 years' experience in Finance and Economics in PRC. Mr. Xu is currently an Independent Director of 安信基金管理 (ESSENCE FUND Co. Limited) and 深圳怡亞通供應鏈股份有限公司 (Eternal Asia Supply Chain Management Limited). He joined the Group in 2015.

Mr. Chang Jun, aged 51, is currently a partner of Messrs, Allbright Law Office-Shenzhen and has been a Chartered Lawyer of Chinese Ministry of Law since 2000. Mr. Chang received his Bachelor of Laws degree from Southwest University of Polities & Law, Chongqing and master degree in Economic & Commercial Law in People's University of China, Beijing. Mr. Chang has more than 20 years' experience in Chinese legal profession and extensive experience in legal advisory to public and multinational enterprise in PRC. He joined the Group in 2007.

Ms. Ching Wai Han, aged 43, she obtained a Master of Commerce in International Business at the University of New South Wales in 2001 and a Bachelor of Social Science at the Chinese University of Hong Kong in 1999. Ms. Ching has extensive experience in the field of public relation over 15 years. She joined the Group in 2012. Ms. Ching resigned as independent non-executive director of the Company on 1 April 2019.

SENIOR MANAGEMENT

Chief Executive Officer

Mr. Cheung Ho Man Allan, aged 43, who holds a Master Degree in Business Administration (MBA) from Cardiff University in United Kingdom ("UK"), a Bachelor Degree in Arts (Hons) Business Management from University of Wales Institute, Cardiff in UK and a Postgraduate Diploma in Marketing in UK. He is also an associate member of the Chartered Institute of Marketing and has obtained professional qualification from Wine & Spirit Education Trust (WSET). Mr. Cheung has over 15 years experience in managing and operating retail and wholesale business; over 15 years experience in golf and over 8 years experience in wine products industries. Mr. Cheung has been a General Manager of the Group's retail and trading of wine, cigar and golf products segments. Mr. Cheung was removed as the Chief Executive Officer of the Company on 29 March 2019.

Company Secretary and Chief Financial Officer

Mr. Chow Kin Wing, aged 38, is the Company Secretary and Chief Financial Officer of the Company, who holds a Bachelor degree in Accounting and Finance from the Queensland University of Technology, Australia. He is an associate member of Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has more than 13 years of experience in financial management, auditing and accounting in an international accounting firm and a listed company in Hong Kong.

REPORT OF DIRECTORS

The Directors of the Company ("Directors") submit herewith their annual report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's operating segment information is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and the state of the affairs of the Group at that date are set out in the consolidated financial statements on pages 46 to 134.

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

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2018 are set out in note 41 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 50 and note 42 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company has no reserves available for distribution to shareholders (2017: Nil) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

CONVERTIBLE BONDS

Details of movements in the convertible bonds of the Group during the year are set out in note 26 to the consolidated financial statements.

DONATION

Charitable and other donations made by the Group during the year amounted to HK$Nil (2017: HK$35,000).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the sections headed "Management Discussion And Analysis" on pages 4 to 9 of this annual report.

The business review also includes:

(a) a discussion on the Group's environmental policies and performance; and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and

(b) an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

FUND RAISING ACTIVITIES OF THE COMPANY UNDER GENERAL MANDATE

There was no fund raising activity of the Company under general mandate during the year.

REPORT OF DIRECTORS

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 135 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

–	the largest supplier	48%
–	five largest suppliers combined	89%

Sales

–	the largest customer	11%
–	five largest customers combined	47%

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

DIRECTORS

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

Mr. Cheng Chun Tak *(Chairman)*
Mr. Stephen William Frostick
Ms. Li Ka Ki
Mr. Pan Xiaodong (Removed on 30 April 2019)
Mr. Liu Yunming (Removed on 30 April 2019)
Mr. Xue Huixuan (Resigned on 1 May 2018)
Mr. Huang Shenglan#
Mr. Lee Chi Hwa, Joshua*
Mr. Xu Jingan*
Mr. Chang Jun*
Ms. Ching Wai Han* (Resigned on 1 April 2019)

\# *Non-executive Director*
* *Independent Non-executive Director*

Mr. Pan Xiadong and Mr. Liu Yunming were removed as executive Directors of the Company with effect from 30 April 2019. For details, please refer to the announcements of the Company dated 1 April 2019 and 30 April 2019, and the circular dated 10 April 2019.

Mr. Xue Huixuan resigned as an executive Director of the Company with effective from 1 May 2018. For further details, please refer to the announcement of the Company dated 2 May 2018.

Ms. Ching Wai Han resigned as an Independent Non-executive Director with effective from 1 April 2019. For details, please refer to the announcement of the Company dated 1 April 2019.

One-third of the Directors shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, none of the Directors or the chief executives of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than one calendar months' notice in writing.

As at 31 December 2018, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the "Share option scheme" below, at no time during the year have rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION

The Company adopted a new share option scheme on 16 June 2017 ("the Scheme"), which became effective for a period of 10 years commencing on 16 June 2017. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 28 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adoption the Scheme.

As at 31 December 2018, no share options were outstanding.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2018, the following persons (other than the Directors and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK$0.005 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares	Total number of shares and underlying shares	Approximate percentage of issued share capital
Shiny Valour Limited *(Note 1)*	Beneficial	152,000,000	–	152,000,000	5.01%
New League Limited *(Note 2)*	Beneficial	119,200,000	238,095,239	357,295,238	11.79%
Radiant Thrive Enterprises Limited *(Note 2)*	Beneficial	201,470,398	–	201,470,398	6.65%
Tai Quan Enterprises Limited *(Note 3)*	Beneficial	–	242,424,242	242,424,242	8.00%
Extreme Rich Corporate Development Limited *(Note 4)*	Beneficial	–	242,424,242	242,424,242	8.00%

Notes:

1. Shiny Valour Limited is wholly owned by Yao Yi Yi who is deemed to be interested in the shares.

2. New League Limited is wholly owned by Radiant Thrive Enterprises Limited which is deemed to be interested in the shares. Radiant Thrive Enterprises Limited is wholly owned by Zhang Cheng Cheng who is deemed to be interested in the shares.

3. Tai Quan Enterprises Limited is wholly owned by Zhao Xin who is deemed to be interested in the shares.

4. Extreme Rich Corporate Development Limited is wholly owned by Ren Wei who is deemed to be interested in the shares.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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 member of the Group.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of GEM Listing Rules.

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 33 to the consolidated financial statements.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2018 any business or interest of each Director, controlling shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

SUBSEQUENT EVENTS

Details of the subsequent events of the Company are disclosed in note 43 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

AUDITOR

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

On behalf of the board

Cheng Chun Tak
Chairman

Hong Kong, 1 November 2019

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE MEMBERS OF CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Fortune Investments (Holding) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 134, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

De-consolidation of subsidiaries

As disclosed in notes 3, 10 and 35 to the consolidated financial statements, the management of the Company became aware of the followings matters in relation to our audit of the consolidated financial statements for the year ended 31 December 2018.

(i) On 4 May 2018, Mr. Fei Xianping ("Fei Xianping") as a lender, and Koudai Network Services Company Limited (口貸網絡服務股份有限公司) ("OPCO"), a wholly-owned subsidiary of the Company established in Chengdu, PRC, as the borrower, entered into a loan agreement ("Fei Loan Agreement") pursuant to which Fei Xianping agreed to lend OPCO RMB20,000,000, with a term from 4 May 2018 to 3 November 2018 and at loan interest rate of 2% per month ("Fei Debt"). On 19 July 2018, Fei Xianping and OPCO entered into a supplemental agreement where the borrowing period on the Fei Loan Agreement signed on 4 May 2018 was changed from 6 months to 3 months, i.e. the expiry date became 3 August 2018. As OPCO did not comply with the supplemental agreement to repay the Fei Debt on 3 August 2018, Fei Xianping has taken legal action against OPCO at the Sichuan Province Chengdu High-tech Industrial Development Zone People's Court (四川省成都高新技術產業開發區人民法院) (the "Chengdu Court") for recovery of the Fei Debt.

(ii) On 30 May 2018, Ms. Wei Rongrong ("Wei Rongrong"), a legal representative and major shareholder of Sichuan Lijuren Financial Service Outsourcing Co. Ltd. ("Lijuren"), as a lender and OPCO, as the borrower, entered into a loan agreement ("Wei Loan Agreement") to formally ratify loans previously made available to OPCO. Wei Rongrong and OPCO had long-term and familiar cooperative relationship and therefore, no formal agreement had been signed for the borrowings previously obtained from Wei Rongrong and confirmation of the borrowings were based on the bank transaction advices or bank records. Major provisions of the Wei Loan Agreement included: (i) up to the date of signing the Wei Loan Agreement, Wei Rongrong had lent in aggregate RMB72,000,000 to OPCO during the period from 7 December 2015 to 28 March 2018 in a total of 19 loans (the "Loans"); (ii) up to the date of signing the Wei Loan Agreement, OPCO had already repaid RMB97,000,000 to Wei Rongrong, including two repayments of RMB4,850,000 on 25 March 2016; (iii) the Loans bear interest at the rate of 4.5% per month from the actual lending date to the date of signing of the Wei Loan Agreement; and (iv) both Wei Rongrong and OPCO confirmed that the outstanding amount of principal and interest at the date when the Wei Loan Agreement was signed were RMB62,300,000 and RMB49,986,246 respectively (in aggregate the "Wei Debt").

On 1 June 2018, Wei Rongrong and Lijuren signed an assignment of debt right pursuant to which Wei Rongrong assigned part of her rights under the Wei Loan Agreement to Lijuren ("Debt Assignment"). Out of the outstanding principal and interest, Wei Rongrong assigned to Lijuren the principal amount of RMB21,000,000 and the corresponding interest amount of RMB7,357,902 (the "Lijuren Debt").

(iii) On 26 August 2018, Lijuren issued a notice of the Debt Assignment to OPCO, which had been confirmed and countersigned by Mr. Wen Mou ("Mr. Wen"), one of the directors of OPCO. On 27 August 2018, Lijuren issued a writ at the People's Court of Nanbu County Sichuan Province（四川省南部縣人民法院）(the "Sichuan Court") for pre-litigation property preservation and requested that all properties and bank deposits of OPCO be frozen up to an amount of RMB28,357,902. Subsequently, the Sichuan Court issued a civil mediation letter expressing that after mediation, OPCO and Lijuren reached a settlement agreement and requested the Sichuan Court to confirm that the loan principal amount between OPCO and Lijuren was RMB21,000,000 and that the related interest on the loan was RMB7,617,908 up to 29 August 2018. In addition, overdue interest on the outstanding principal amount shall be charged at 24% per annum until full repayment.

(iv) On 22 September 2018, OPCO entered into an agreement with an independent third party to sell two properties located in the PRC held by OPCO at an aggregate consideration of RMB8,500,000 for the purposes of repayment of outstanding debts, including mortgage loan, outstanding debts and general administrative expenses, owed by OPCO.

(v) In view of the above events, on 24 January 2019, the Company set up an investigation committee (the "Investigation Committee") and appointed a professional firm as independent investigator to investigate into the financial, operational and other affairs of OPCO, in particular the matters stated in points (i) to (iv) (the "Investigation"). The Investigation had been completed and reported to the Investigation Committee. It was found that the Chengdu High-tech Zone Public Security Bureau Economic Investigation Brigade (成都高新區公安分局經濟偵查大隊) (the "Economic Investigation Brigade") had launched a field investigation on OPCO and all financial documents and records of OPCO had been seized by the Economic Investigation Brigade for their investigation and relevant senior management personnel of OPCO could not be contacted by the Investigator appointed by the Company. In addition, it was found that OPCO was suspected of illegal absorption of public deposits in the PRC and the Chengdu High-tech Public Security Bureau Industrial Development Zone Branch (成都市公安局高新技術產業開發區分局) had filed the case for investigation and seized the assets involved in the case according to the law.

Due to the limitations of the Investigation, the Board had agreed with the recommendations of the Investigation Committee and had not pursued any further investigation into the affairs of OPCO until any material change in circumstances such as completion of the criminal investigation and/or prosecution procedures by the relevant PRC government authorities, release of the key management of OPCO and/or release of the seized financial documents of OPCO.

Due to the situation described in point (v) above, the Group faced obstructions in exercising control over, and gathering information and documents of OPCO and its holding company named Chengdu Xingfu Koudai Enterprise Management Consulting Company Limited (成都幸福口袋企業管理諮詢有限公司), a wholly-owned subsidiary of the Group (collectively, the "Deconsolidated subsidiaries"). The Group regards that it has lost control over the entire operations of the Deconsolidated subsidiaries and the directors of the Company have resolved to exclude the financial position, results and cash flows of the Deconsolidated Subsidiaries as at and for the year ended 31 December 2018 from the Group's consolidated financial statements. The Deconsolidated subsidiaries have been deconsolidated with effect from 1 September 2018 in the consolidated financial statements of the Group, the date when the Group considered that it had effectively lost control of the Deconsolidated Subsidiaries. The resulting loss arising from the deconsolidation of approximately HK$288,084,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements", the carrying amounts of the assets and liabilities of the Deconsolidated subsidiaries should be derecognised from the consolidated financial statements of the Group at the date when control over the Deconsolidated subsidiaries was lost. Since we were unable to gain access to the complete books and records and management personnel of the Deconsolidated subsidiaries, we were unable to obtain sufficient appropriate audit evidence and explanation to assess the appropriateness of the accounting treatment and amounts adopted by the Group of treating the Deconsolidated subsidiaries as subsidiaries of the Group on 1 September 2018. We were also unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the date when the Group lost control over the Deconsolidated subsidiaries. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the resulting loss arising from the deconsolidation of subsidiaries of approximately HK$288,084,000 recorded in the consolidated statement of profit or loss are free from material misstatement. Any adjustment that would be required may have a consequential significant effect on the net assets of the Group and loss and cash flows of the Group for the year ended 31 December 2018, and the related disclosures thereof in the consolidated financial statements.

In addition, due to the substantial financial documents and records of OPCO had been seized by the Economic Investigation Brigade and certain directors and senior management personnel are said to have been under arrested or were missing, we could not performed all necessary audit procedures on the results from discontinued operations. We have not been able to obtain sufficient appropriate audit evidence and explanations as to ascertain the background and reasons in relation to above transactions by OPCO. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the profit arising from the discontinued operation of approximately HK$23,262,000 recorded in the consolidated statement of profit or loss are free from material misstatement. Any adjustment that would be required may have a consequential significant effect on the net assets of the Group and loss and cash flows of the Group for the year ended 31 December 2018, and the related disclosures thereof in the consolidated financial statements.

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

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditors' report. We report our opinion solely to you, as a body, in accordance with agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Bases for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

REPORT ON OTHER MATTERS UNDER SECTION 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence as described in the Basis for Disclaimer of Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and

- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

HLM CPA Limited
Certified Public Accountants
Chan Lap Chi
Practising Certificate Number: P04084
Hong Kong,
1 November 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (Re-presented)
Continuing operations			
Revenue	6	**249,033**	215,806
Cost of sales		**(203,781)**	(150,060)
Gross profit		**45,252**	65,746
Other income, gains and losses	6	**(35,224)**	4,105
Selling and distribution expenses		**(6,763)**	(6,094)
Administrative expenses		**(34,367)**	(29,440)
(Loss) profit from continuing operations		**(31,102)**	34,317
Finance costs	7	**(43,645)**	(26,956)
(Loss) profit before tax		**(74,747)**	7,361
Income tax expense	8	**(2,898)**	(6,952)
(Loss) profit for the year from continuing operations		**(77,645)**	409
Discontinued operation	10		
Profit for the period from discontinued operation		**23,262**	1,936
Loss on deconsolidation of subsidiaries		**(288,084)**	–
		(264,822)	1,936
(Loss) profit for the year		**(342,467)**	2,345
(Loss) profit for the year attributable to:			
Owners of the Company		**(342,473)**	2,461
Non-controlling interests		**6**	(116)
		(342,467)	2,345
(Loss) earnings per share	13		
Basic and diluted			
– For continuing and discontinued operation		**(HK11.30 cents)**	HK0.09 cents
– For continuing operations		**(HK2.56 cents)**	HK0.02 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
(Loss) profit for the year	**(342,467)**	2,345
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**3,943**	705
Release of foreign currency translation reserve upon deconsolidation of subsidiaries	**(4,648)**	–
Other comprehensive (expense) income for the year, net of tax	**(705)**	705
Total comprehensive (expense) income for the year	**(343,172)**	3,050
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(343,178)**	3,166
Non-controlling interests	**6**	(116)
Total comprehensive (expense) income for the year	**(343,172)**	3,050

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	**5,116**	45,379
Deferred tax assets	28	**216**	–
Goodwill	15	**70,084**	260,587
Other intangible asset	16	**–**	49,816
Deposits and prepayments	19	**1,210**	1,067
		76,626	356,849
Current assets			
Inventories	17	**131,305**	68,002
Trade receivables	18	**127,231**	100,057
Loan and interest receivables	20	**6,880**	10,150
Other receivables, deposits and prepayments	19	**23,030**	87,693
Cash and cash equivalents	21	**23,120**	226,150
		311,566	492,052
Current liabilities			
Trade payables	22	**1,212**	873
Accruals, other payables and deposits received	23	**6,535**	97,387
Secured bank borrowings	24	**–**	662
Amounts due to directors	25	**5,116**	5,834
Tax payables		**752**	7,863
Convertible bonds	26	**56,960**	70,401
Contingent consideration payables	29	**–**	49,564
Promissory note payables	27	**79,350**	–
		149,925	232,584
Net current assets		**161,641**	259,468
Total assets less current liabilities		**238,267**	616,317

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Other payables	23	**6,778**	559
Secured bank borrowings	24	**–**	4,501
Convertible bonds	26	**92,028**	88,912
Promissory note payables	27	**80,590**	72,449
Deferred tax liabilities	28	**–**	10,943
Contingent consideration payables	29	**–**	42,775
		179,396	220,139
Net assets		**58,871**	396,178
Capital and reserves			
Issued capital	30	**15,156**	15,156
Reserves		**43,339**	380,652
Equity attributable to owners of the Company		**58,495**	395,808
Non-controlling interests		**376**	370
Total equity		**58,871**	396,178

Mr. Cheng Chun Tak
Director

Ms. Li Ka Ki
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to the owners of the Company									
	Issued capital HK$'000	Share premium account HK$'000	Merger reserve HK$'000 *(Note i)*	Statutory surplus reserve HK$'000 *(Note ii)*	Convertible bonds equity reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 December 2017	15,156	1,995,281	(46,815)	207	49,267	705	(1,617,993)	395,808	370	396,178
Impact on initial application of HKFRS 9 *(note 2)*	–	–	–	–	–	–	(1,686)	(1,686)	–	(1,686)
At 1 January 2018	15,156	1,995,281	(46,815)	207	49,267	705	(1,619,679)	394,122	370	394,492
(Loss) profit for the year	–	–	–	–	–	–	(342,473)	(342,473)	6	(342,467)
Other comprehensive income (expense) for the year:										
Exchange difference on translation of foreign operations	–	–	–	–	–	3,943	–	3,943	–	3,943
Release of foreign currency translation reserve on deconsolidation of subsidiaries	–	–	–	–	–	(4,648)	–	(4,648)	–	(4,648)
Total comprehensive income (expense) for the year	–	–	–	–	–	(705)	(342,473)	(343,178)	6	(343,172)
De-consolidation of subsidiaries	–	–	–	(207)	–	–	207	–	–	–
Issued of convertible bonds	–	–	–	–	7,551	–	–	7,551	–	7,551
Derecognition of convertible bonds equity reserve at maturity	–	–	–	–	(2,687)	–	2,687	–	–	–
As 31 December 2018	15,156	1,995,281	(46,815)	–	54,131	–	(1,959,258)	58,495	376	58,871
At 1 January 2017	11,965	1,773,338	(46,815)	–	88,804	–	(1,621,678)	205,614	486	206,100
Profit (loss) for the year	–	–	–	–	–	–	2,461	2,461	(116)	2,345
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	705	–	705	–	705
Total comprehensive income (expense) for the year	–	–	–	–	–	705	2,461	3,166	(116)	3,050
Issue of shares upon conversion of convertible bonds	3,191	221,943	–	–	(85,175)	–	–	139,959	–	139,959
Issued of convertible bonds	–	–	–	–	47,069	–	–	47,069	–	47,069
Derecognition of convertible bonds equity reserve at maturity	–	–	–	–	(1,431)	–	1,431	–	–	–
Transfer to statutory surplus reserve	–	–	–	207	–	–	(207)	–	–	–
As 31 December 2017	15,156	1,995,281	(46,815)	207	49,267	705	(1,617,993)	395,808	370	396,178

Notes:

(i) The Group's merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to a reorganisation in prior years.

(ii) In accordance with the relevant PRC regulations, the subsidiaries which are established in the PRC are required to transfer 10% of their profits after tax, as determined under the PRC accounting regulations, to the statutory surplus reserve, until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus reserve may be used to offset against accumulated losses of the respective subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(331,815)**	10,176
Adjustments for:			
Interest income		**(1,650)**	(929)
Finance costs	7	**43,645**	26,984
Impairment loss on goodwill	6	**28,542**	–
Allowance for credit loss	18	**110**	–
Impairment loss on other intangible assets	6	**5,925**	–
Allowance for doubtful debts		**3,570**	882
Written off of property, plant and equipment		**–**	406
Loss on deconsolidation of subsidiaries	35	**288,084**	–
Loss on settlement of contingent consideration payable	29	**1,703**	–
Fair value loss on contingent consideration payable	29	**–**	280
Depreciation of property, plant and equipment	14	**3,684**	1,280
Amortisation of other intangible asset	16	**2,844**	2,844
Operating cash flows before movements in working capital		**44,642**	41,923
(Increase) decrease in inventories		**(63,303)**	49,955
Increase in trade receivables		**(28,970)**	(82,615)
(Increase) decrease in other receivables, deposits and prepayments		**(105,204)**	40,334
Increase (decrease) in trade payables		**339**	(460)
Increase in loan and interest receivables		**–**	(10,000)
Decrease in accruals, other payables and deposits received		**(19,648)**	(11,383)
Cash (used in) generated from operations		**(172,144)**	27,754
Interest received		**1,350**	–
Interest paid		**–**	(28)
Overseas taxes paid		**(7,754)**	–
Hong Kong Profits Tax paid		**(4,626)**	(9,867)
Net cash flows (used in) generated from operating activities		**(183,174)**	17,859

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
INVESTING ACTIVITIES			
Interest received		**–**	66
Net cash outflow from acquisition of subsidiaries	34	**–**	(27,557)
Net cash outflow from deconsolidation of subsidiaries	10 & 35	**(9,877)**	–
Purchase of property, plant and equipment	14	**(3,304)**	(290)
Refund of refundable deposits for acquisition of investments		**–**	41,380
Net cash flows (used in) generated from investing activities		**(13,181)**	13,599
FINANCING ACTIVITIES			
Proceeds from issue of promissory note payables	27	**79,350**	–
Proceeds from issue of convertible bonds		**–**	69,000
Redemption of convertible bonds		**(79,350)**	(69,000)
Repayment of bank borrowings		**(604)**	(53)
Decrease in amounts due to directors		**(718)**	(1,385)
Net cash flows used in financing activities		**(1,322)**	(1,438)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(197,677)**	30,020
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**226,150**	195,530
Effect of foreign exchange rate changes, net		**(5,353)**	600
CASH AND CASH EQUIVALENTS AT END OF YEAR		**23,120**	226,150

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 October 1999 under the Companies Law of the Cayman Islands and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located Shops 212-213, 2nd Floor, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 41 to the consolidated financial statements.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

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

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers (continued)

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 recognised revenue from the following major sources which arise from contracts with customers:

- Sales of wine and cigar
- Sales of golf products
- Sales of watches and jewellery

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

Summary of effects arising from initial application of HKFRS 15

Based on the assessment by the directors of the Company, the application of HKFRS 15 has had no significant impact on the timing and amounts of revenue recognised in the current year and the accumulated losses at 1 January 2018.

2.2 HKFRS 9 Financial Instruments

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

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

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

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

2.2 HKFRS 9 Financial Instruments (continued)

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3 to the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 9

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

	Note	**Trade receivables** HK$'000	**Accumulated losses** HK$'000
Closing balance at 31 December 2017 – HKAS 39		100,057	1,617,993
Impairment under ECL model	18	(1,686)	1,686
Opening balance at 1 January 2018		98,371	1,619,679

(a) *Classification and measurement*

The directors of the Company review and assess the Group's financial assets and financial liability as at 1 January 2018 based on the facts and circumstances that existed at that date, and consider that there is no change in classification and measurement on the Group's financial assets and financial liability.

(b) *Impairment under ECL model*

The Group applies HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually with outstanding significant balances, the remaining balances are grouped based on internal credit rating/ past due analysis.

ECL for other financial assets at amortised cost, including loan and interest receivables, financial assets included in other receivables, deposits and prepayments and bank balance and cash, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of approximately HK$1,686,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective asset.

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

2.2 HKFRS 9 Financial Instruments (continued)

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

All loss allowances for trade receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	HK$'000
As 31 December 2017 – HKAS 39	–
Amounts remeasured through opening accumulated losses	1,686
Balance at 1 January 2018	1,686

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on adjusted balances as at 1 January 2018 as disclosed above.

New and amendments to HKFRSs in issue but not effective

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

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

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

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and an interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$9,280,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$2,277,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

De-consolidation

On 4 May 2018, Mr. Fei Xianping ("Fei Xianping") as a lender, and Koudai Network Services Company Limited (口貸網絡服務股份有限公司) ("OPCO"), a wholly-owned subsidiary of the Company established in Chengdu, PRC, as the borrower, entered into a loan agreement ("Fei Loan Agreement") pursuant to which Fei Xianping agreed to lend OPCO RMB20,000,000, with a term from 4 May 2018 to 3 November 2018 and at loan interest rate of 2% per month ("Fei Debt"). On 19 July 2018, Fei Xianping and OPCO entered into a supplemental agreement where the borrowing period on the Fei Loan Agreement signed on 4 May 2018 was changed from 6 months to 3 months, i.e. the expiry date became 3 August 2018. As OPCO did not comply with the supplemental agreement to repay the Fei Debt on 3 August 2018, Fei Xianping has taken legal action against OPCO at the Sichuan Province Chengdu High-tech Industrial Development Zone People's Court (四川省成都高新技術產業開發區人民法院) (the "Chengdu Court") for recovery of the Fei Debt.

On 30 May 2018, Ms. Wei Rongrong ("Wei Rongrong"), a legal representative and major shareholder of Sichun Lijuren Financial Service Outsourcing Co. Ltd. ("Lijuren"), as a lender and OPCO, as the borrower, entered into a loan agreement ("Wei Loan Agreement") to formally ratify loans previously made available to OPCO. Wei Rongrong and OPCO had long-term and familiar cooperative relationship and therefore, no formal agreement had been signed for the borrowings previously obtained from Wei Rongrong and confirmation of the borrowings were based on the bank transaction advices or bank records. Major provisions of the Wei Loan Agreement included: (i) up to the date of signing the Wei Loan Agreement, Wei Rongrong had lent in aggregate RMB72,000,000 to OPCO during the period from 7 December 2015 to 28 March 2018 in a total 19 loans (the "Loans"); (ii) up to the date of signing the Wei Loan Agreement, OPCO had already repaid RMB97,000,000 to Wei Rongrong, including two repayments of RMB4,850,000 on 25 March 2016; (iii) the Loans bear interest at the rate of 4.5% per month from the actual lending date to the date of signing of the Wei Loan Agreement; and (iv) both Wei Rongrong and OPCO confirmed that the outstanding amount of principal and interest at the date when the Wei Loan Agreement was signed were RMB62,300,000 and RMB49,986,246 respectively (in aggregate the "Wei Debt").

On 1 June 2018, Wei Rongrong and Lijuren signed an assignment of debt right pursuant to which Wei Rongrong assigned part of her rights under the Wei Loan Agreement to Lijuren ("Debt Assignment"). Out of the outstanding principal and interest, Wei Rongrong assigned to Lijuren the principal amount of RMB21,000,000 and the corresponding interest amount of RMB7,357,902 (the "Lijuren Debt")

On 26 August 2018, Lijuren issued a notice of the Debt Assignment to OPCO, which had been confirmed and countersigned by Mr. Wen Mou (Mr. Wen), one of the directors of OPCO. On 27 August 2019, Lijuren issued a writ at the People's Court of Nanbu County Sichuan Province (四川省南部縣人民法院) (the "Sichuan Court") for pre-litigation property preservation and requested that all properties and bank deposits of OPCO be frozen up to an amount of RMB28,357,902. Subsequently, the Sichuan Court issued a civil mediation letter expressing that after mediation, OPCO and Lijuren reached a settlement agreement and requested the Sichuan Court to confirm that the loan principal amount between OPCO and Lijuren was RMB21,000,000 and that the related interest on the loan was RMB7,617,908 up to 29 August 2018. In addition, overdue interest on the outstanding principal amount shall be charged at 24% per annum until full repayment.

On 22 September 2018, OPCO entered into an agreement with an independent third party to sell two properties located in the PRC held by OPCO at an aggregate consideration of RMB8,500,000 for the purposes of repayment of outstanding debts, including mortgage loan, outstanding debts and general administrative expenses owed by OPCO.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

De-consolidation *(continued)*

In view of the above events, on 24 January 2019, the Company set up an investigation committee (the "Investigation Committee") and appointed a professional firm as independent investigator to investigate into the financial, operational and other affairs of OPCO, in particular the matters stated in points (i) to (iv) (the "Investigation"). The Investigation had been completed and reported to the Investigation Committee. It was found that the Chengdu High-tech Zone Public Security Bureau Economic Investigation Brigade (成都高新區公安分局經濟偵查大隊) (the "Economic Investigation Brigade") had launched a field investigation on OPCO and all financial documents and records of OPCO had been seized by the Economic Investigation Brigade for their investigation and relevant senior management personnel of OPCO could not be contacted by the Investigator appointed by the Company. In addition, it was found that OPCO was suspected of illegal absorption of public deposits in the PRC and the Chengdu High-tech Public Security Bureau Industrial Development Zone Branch (成都市公安局高新技術產業開發區分局) had filed the case for investigation and seized the assets involved in the case according to the law.

Due to the limitations of the Investigation, the Board had agreed with the recommendations of the Investigation Committee and had not pursued any further investigation into the affairs of OPCO until any material change in circumstances such as completion of the criminal investigation and/or prosecution procedures by the relevant PRC government authorities, release of the key management of OPCO and/or release of the seized financial documents of OPCO.

Due to the situation described in point (v) above, the Group faced obstructions in exercising control over, and gathering information and documents of OPCO and its holding company named Chengdu Xingfu Koudai Enterprise Management Consulting Company Limited (成都幸福口袋企業管理諮詢有限公司), a wholly-owned subsidiary of the Group (collectively, the "Deconsolidated subsidiaries"). The Group regards that it has lost control over the entire operations of the Deconsolidated subsidiaries and the directors of the Company have resolved to exclude the financial position, results and cash flows of the Deconsolidated Subsidiaries as at and for the year ended 31 December 2018 from the Group's consolidated financial statements. The Deconsolidated subsidiaries have been deconsolidated with effect from 1 September 2018 in the consolidated financial statements of the Group, the date when the Group considered that it had effectively lost control of the Deconsolidated Subsidiaries. The resulting loss arising from the deconsolidation of approximately HK$288,084,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

Basic of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate the Group has, or does not have, the ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic of consolidation (continued)

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

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

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

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

Loses control of subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

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 which are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree which 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* which 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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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 made 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.

The subsequent accounting for 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 to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Investments in subsidiaries

Investment in subsidiaries presented in the statement of financial position of the Company included in note 41 to the consolidated financial statements are stated at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and is presented separately in the consolidated statement of financial position.

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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount 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 (or group of cash-generating units). 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 the amount of profit or loss on disposal.

Revenue from contracts with customers (upon application of HKFRS 15)

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 Company's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Company 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 from contracts with customers (upon application of HKFRS 15) (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 from the customer.

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

Variable consideration

For contracts that contain variable consideration like sales discount, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of such reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Group recognised a refund liability if the Group expects to refund some or all of the consideration received from customers.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 January 2018)

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

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from financial assets is recognised 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.

Consultancy service income from peer-to-peer ("P2P") loan facilitation services is recognised when the services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

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

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

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

– exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

Borrowing costs

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contribution are made based on 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 administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China 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 their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transaction").

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

Land and buildings	40 years
Leasehold improvements	33% to 50%
Furniture, fixture and equipment	20%
Computer equipment	33%
Motor vehicles	10% to 33%

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

Intangible assets

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of tangible and intangible assets other than goodwill below).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whatever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of the financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Related parties

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

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

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

   (ii) has significant influence over the Group; or

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

(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 Group's parent.

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

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

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

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

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 purchase or sale of financial assets are recognised and derecognised on a trade day 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 or financial liabilities at fair value through profit or loss) ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

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

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognise lifetime ECL for trade receivables without significant component. Except for those debtors with credit impaired are assessed individually, the ECL on trade receivables are assessed collectively using a provision matrix with appropriate groupings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

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

(i) Significant increase in credit risk

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

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 Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) 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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(v) 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.

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 basis:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and industry of debtors

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.

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

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

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, financial assets included in other receivables, deposits and prepayments, loan and interest receivables, 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.

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

Financial assets 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.

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

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

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– disappearance of an active market for that financial asset because of financial difficulties.

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

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)

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

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

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

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.

Decognition of financial assets

The Group derecognises a financial asset 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt 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.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 38 to the consolidated financial statements.

Convertible bonds

The component parts of convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium account. When the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

Convertible bonds (continued)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade payables, financial liabilities included in accruals, other payables and deposits received, amounts due to directors and secured bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on net basis, or to realise the assets and settle the liabilities simultaneously.

4. CRITICAL ACCOUNT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, 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.

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determined whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2018 was approximately HK$70,084,000 (2017: approximately HK$260,587,000). Further details are given in note 15 to the consolidated financial statements.

Impairment of tangible and intangible assets (other than goodwill)

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

4. CRITICAL ACCOUNT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Allowance for expected credit losses

The management of the Group estimates the amount of lifetime expected credit losses of trade debtors individually, after considering the financial background, creditability, aging and likelihood of collection with reference to repayment history and/or past due status of respective receivables. Estimated loss rates are based on historical observed default rates over the expected lives of the receivables and are adjusted for forward-looking information. The provision of expected credit losses is sensitive to changes in estimates. The information about the Group's trade receivables are disclosed in note 18. As at 31 December 2018, the carrying amount of trade receivables was approximately HK$127,231,000 (2017: HK$100,057,000) (net of allowance for expected credit losses of approximately HK$1,796,000 (2017: HK$Nil)).

Net realisation value of inventories

Net realisation value of inventories is based on estimated selling prices less any estimation costs necessary to make the sale. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group will reassess the estimation at the end of each reporting period.

Impairment of loan and interest receivables

The Group establishes, through charges against the consolidated statement of profit or loss, impairment allowances in respect of estimated incurred loss in loan and interest receivables. The allowances consist of individual impairment allowances. The overall impairment allowances represent the aggregate amount by which the management considers necessary to write-down its loan portfolio in order to state it in the consolidated statement of financial position at its estimated net recoverable value.

In determining individual impairment allowances, management considers objective evidence of impairment. When loan receivable is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

In determining collective impairment allowances, management uses estimates based on historical experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

5. OPERATING SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the executive directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on profit (loss), which is a measure of adjusted (loss) profit before tax. Segment performance is evaluated based on reportable segments.

The Group's operating and reportable segments include (i) sales of wine and cigar; (ii) sales of golf products, (iii) sales of watch and jewellery; (iv) provision of money lending service and (v) others.

(a) Segment revenue and results

For the year ended 31 December 2018

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

	Wine and cigar *HK$'000*	**Golf products** *HK$'000*	**Watch and jewellery** *HK$'000*	**Money lending** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
REVENUE						
External sales	**46,828**	**27,063**	**171,031**	**1,650**	**2,461**	**249,033**
Inter-segment sales*	**–**	**–**	**–**	**–**	**–**	**–**
Segment revenue	**46,828**	**27,063**	**171,031**	**1,650**	**2,461**	**249,033**
RESULTS						
Segment profit	**8,134**	**1,866**	**16,031**	**(1,933)**	**390**	**24,488**
Finance costs						**(43,645)**
Unallocated corporate income						**602**
Unallocated corporate expenses						**(20,022)**
Loss on settlement of contingent consideration payable						**(1,703)**
Impairment loss on other intangible asset						**(5,925)**
Impairment loss on goodwill						**(28,542)**
Loss before tax from continuing operations						**(74,747)**

5. OPERATING SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

For the year ended 31 December 2017

	Wine and cigar HK$'000	Golf products HK$'000	Money lending HK$'000	Total HK$'000
REVENUE				
External sales	193,591	22,065	150	215,806
Inter-segment sales*	–	–	–	–
Segment revenue	193,591	22,065	150	215,806
RESULTS				
Segment profit	47,717	990	96	48,803
Finance costs				(26,956)
Unallocated corporate income				4,146
Unallocated corporate expenses				(18,352)
Change in fair value of contingent consideration payable				(280)
Profit before tax from continuing operations				7,361

* *Inter-segment sales are charged at cost.*

Excluded from the segment report is the segment on P2P loan facilitation services business which was deconsolidated of during the year and the result of which is set out in note 10.

5. OPERATING SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

For the year ended 31 December 2018

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

Segment assets

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Total *HK$'000*
ASSETS						
Segment assets	79,700	23,942	6,880	184,309	2,161	296,992
Cash and cash equivalent						23,120
Unallocated corporate assets						68,080
Consolidated assets						388,192

Segment liabilities

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Total *HK$'000*
LIABILITIES						
Segment liabilities	1,296	2,605	372	2,642	95	7,010
Unallocated corporate liabilities						322,311
Consolidated liabilities						329,321

5. OPERATING SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities (continued)

For the year ended 31 December 2017

Segment assets

	Wine and cigar *HK$'000*	Golf products *HK$'000*	P2P loan facilitation services *HK$'000*	Money lending *HK$'000*	Total *HK$'000*
ASSETS					
Segment assets	165,156	11,510	92,079	10,150	278,895
Cash and cash equivalent					226,150
Unallocated corporate assets					343,856
Consolidated assets					848,901

Segment liabilities

	Wine and cigar *HK$'000*	Golf products *HK$'000*	P2P loan facilitation services *HK$'000*	Money lending *HK$'000*	Total *HK$'000*
LIABILITIES					
Segment liabilities	2,890	1,830	95,164	4	99,888
Unallocated corporate liabilities					352,835
Consolidated liabilities					452,723

5. OPERATING SEGMENT INFORMATION (continued)

(c) Other segment information

For the year ended 31 December 2018

	Wine and cigar HK$'000	Golf products HK$'000	Money lending HK$'000	Watch and jewellery HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	**157**	**89**	**–**	**3,019**	**11**	**28**	**3,304**
Amortisation of other intangible assets	**–**	**–**	**–**	**–**	**–**	**2,844**	**2,844**
Depreciation of property, plant and equipment	**286**	**250**	**–**	**303**	**4**	**454**	**1,297**

For the year ended 31 December 2017

	Wine and cigar HK$'000	Golf products HK$'000	Money lending HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	185	15	–	90	290
Amortisation of other intangible assets	–	–	–	2,844	2,844
Depreciation of property, plant and equipment	522	2	–	631	1,155

(d) Geographical information

The Group's operations are located in Hong Kong and the Mainland China.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets*	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Hong Kong	**249,033**	215,806	**5,332**	3,110
Mainland China	**–**	7,809	**–**	42,269
	249,033	223,615	**5,332**	45,379

* *Non-current assets excluded goodwill, other intangible assets and deposits and prepayments.*

(e) Information about major customers

The revenues from continuing operations from the Group's largest customer amounted to less than 10% of the Group's total revenue for the year ended 31 December 2018.

Revenue from continuing operations of approximately HK$27,360,000, representing 12% of the Group's total revenue, was derived from sales to the largest customer of the wine and cigar segment for the year ended 31 December 2017.

6. REVENUE, OTHER INCOME, GAINS AND LOSSES

An analysis of the Group's revenue, other income and gains for the year from continuing operations is as follows:

	2018 HK$'000	2017 HK$'000 (Re-presented)
Continuing operations:		
Revenue		
Sale of goods	**244,922**	215,656
Interest income	**1,650**	150
Travel agency service income	**2,461**	–
	249,033	215,806
Other income, gains and losses		
Other financing service income	**258**	872
Compensation income	**–**	489
Interest income	**–**	280
Waiver of accrued salaries	**602**	2,642
Sundry income	**86**	102
Loss on settlement of contingent consideration payable	**(1,703)**	–
Change in fair value of contingent consideration payable	**–**	(280)
Impairment of other intangible asset	**(5,925)**	–
Impairment of goodwill	**(28,542)**	–
	(35,224)	4,105

7. FINANCE COSTS

	2018 HK$'000	2017 HK$'000 (Re-presented)
Continuing operations:		
Interest on convertible bonds *(note 26)*	**25,309**	25,932
Interest on promissory notes payables *(note 27)*	**18,336**	1,024
	43,645	26,956

8. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations:		
Current tax		
Hong Kong Profits Tax	**4,034**	8,318
Deferred taxation *(note 28)*	**(1,136)**	(1,366)
	2,898	6,952

Tax charges for the year can be reconciled to the (loss) profit before tax from continuing operations per the consolidated statement of profit or loss as follows:

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
(Loss) profit before tax from continuing operations	**(74,747)**	7,361
Tax at the applicable statutory income tax rates	**(12,333)**	1,215
Income not subject to tax	**–**	(517)
Expenses not deductible for tax	**15,351**	6,592
Tax concession	**(120)**	(113)
Others	**–**	(225)
Tax charge for the year	**2,898**	6,952

9. (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATION

The Group's (loss) profit for the year from continuing operations has been arrived at after charging the following items:

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
Employee benefit expenses		
(excluding directors' and chief executive's remuneration – *note 11*):		
Wages and salaries	**12,308**	11,630
Retirement benefits scheme contribution	**514**	500
	12,822	12,130
Cost of inventories sold	**203,781**	150,060
Auditors' remuneration		
– audit services	**950**	950
– non-audit services	**100**	107
Depreciation of property, plant and equipment	**1,297**	1,155
Amortisation of other intangible assets	**2,844**	2,844
Lease payments under operating leases in respect of land and buildings	**7,237**	7,828
Loss on settlement of contingent consideration payable	**1,703**	–
Write off of promissory note interest receivable*	**–**	406
Impairment loss on other intangible asset	**5,925**	–
Impairment loss on goodwill	**28,542**	–
Allowance for credit loss	**110**	–
Allowance for doubtful debts	**3,570**	–

10. DISCONTINUED OPERATION

P2P loan facilitation services

As disclosed in note 3 to the consolidated financial statements, the Company regarded that it has lost control over OPCO on 1 September 2018 and assets and liabilities of the OPCO were deconsolidated from the Group's consolidated financial statements. Accordingly, the Group discontinued its operation in P2P loan facilitation services as one of its principal business activities.

Details of the assets and liabilities being deconsolidated, and the calculation of the loss on such deconsolidation are disclosed in note 35.

The results of OPCO and the (loss) profit for the period from discontinued operations from 1 January 2018 to 31 August 2018, the date of loss of control are presented as below.

	2018 ***HK$'000***	2017 *HK$'000*
Revenue	**44,090**	7,809
Cost of services	**(4,107)**	(865)
Gross profit	**39,983**	6,944
Other income, gains and losses	**125**	499
Selling and distribution expenses	**(2,818)**	(1,299)
Administrative expenses	**(6,107)**	(3,301)
Finance costs	**(167)**	(28)
Profit before tax	**31,016**	2,815
Income tax expense	**(7,754)**	(879)
Profit for the period	**23,262**	1,936
Loss on deconsolidation of subsidiaries *(note 35)*	**(288,084)**	–
(Loss) profit for the period from discontinued operation	**(264,822)**	1,936

10. DISCONTINUED OPERATION (continued)

P2P loan facilitation services (continued)

Loss for the year from discontinued operation includes the followings:

	2018 HK$'000	2017 HK$'000
Cost of service	4,107	865
Depreciation of property, plant and equipment	2,387	125
Employee benefit expenses:		
Wages and salaries	4,004	1,510
Retirement benefits scheme contribution	492	41
	4,496	1,551
Lease payments under operating leases in respect of land and buildings	21	12

Net cash outflow arising from deconsolidation

	2018 HK$'000	2017 HK$'000
Net cash outflow from operating activities	(3,920)	(36,379)
Net cash outflow used in financing activities	(604)	(23)
Effect of foreign exchange rate changes	(5,353)	600
Net cash outflow from deconsolidation	(9,877)	(35,802)

There was no discontinued operation for the year ended 31 December 2017.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS

Directors' and the chief executive's emoluments for the year, disclosed pursuant to the applicable Listing Rules and the disclosure requirement of the Hong Kong Companies Ordinance, is as follows:

(a) Directors' and chief executive's emoluments

		Other emoluments		Total
	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contribution	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2018				
Executive directors:				
Pan Xiaodong *(note a)*	1,800	–	–	1,800
Cheng Chun Tak	840	–	–	840
Stephen William Frostick	140	–	–	140
Li Ka Ki *(note b)*	120	470	18	608
Liu Yunming *(note c)*	360	–	–	360
Non-executive director:				
Huang Shenglan	120	–	–	120
Independent non-executive directors:				
Chang Jun	60	–	–	60
Lee Chi Hwa Joshua	60	–	–	60
Ching Wai Han	60	–	–	60
Xu Jingan	60	–	–	60
	3,620	470	18	4,108
Senior management:				
Cheung Ho Man Allan *(note e)*	–	688	14	702
	3,620	1,158	32	4,810

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (continued)

(a) Directors' and chief executive's emoluments (continued)

		Other emoluments		Total
	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contribution	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2017				
Executive directors:				
Pan Xiaodong *(note a)*	1,800	–	–	1,800
Cheng Chun Tak	600	–	–	600
Chang Chun	–	–	–	–
Zhang Jie *(note d)*	–	–	–	–
Stephen William Frostick	120	–	–	120
Xue Huixuan	–	–	–	–
Li Ka Ki *(note b)*	50	124	8	182
Liu Yunming *(note c)*	60	–	–	60
Non-executive director:				
Huang Shenglan	120	–	–	120
Independent non-executive directors:				
Chang Jun	60	–	–	60
Lee Chi Hwa Joshua	60	–	–	60
Ching Wai Han	60	–	–	60
Xu Jingan	60	–	–	60
	2,990	124	8	3,122

Note:

(a) Removed on 30 April 2019.

(b) Appointed on 2 August 2017.

(c) Appointed on 27 October 2017 and removed on 30 April 2019.

(d) Resigned on 16 June 2017.

(e) Appointed on 13 April 2018 and removed on 29 March 2019.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (continued)

(a) Directors' and chief executive's emoluments (continued)

The emolument for one executive director shown above was mainly for her services in connection with the management of the affairs of the Company and the Group.

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

During the year ended 31 December 2018, Mr. Xue Huixuan had waived his current year's remuneration. During the year ended 31 December 2017, Mr. Xue Huixuan, Mr. Chang Chun and Mr. Zhang Jie had waived their current year's remuneration.

Except for above, there was no other arrangement under which a director or a chief executive had waived or agreed to waive any remuneration during the year.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2017: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2017: Nil). There are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities (2017: Nil).

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2017: Nil).

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (continued)

(b) Employees' remunerations

The five highest paid individuals of the Group for the year ended 31 December 2018 included three directors and one chief executive (2017: two directors) of the Company, whose remunerations are disclosed above. The remaining one (2017: three) are employees of the Group, details of whose remuneration is as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**807**	1,696
Retirement benefits scheme contribution	**18**	54
	825	1,750

The number of the highest paid employees who are neither a director nor chief executive of the Company whose remuneration fell within the following bands is as follows:

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

During the year, no emoluments were paid by the Group to any of the directors of the Company or chief executive of the Group or the highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

12. DIVIDENDS

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

13. (LOSS) EARNINGS PER SHARE

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

	2018 HK$'000	2017 HK$'000
(Loss) profit for the purpose of basic (loss) earnings per share		
(Loss) profit for the year attributable to owners of the Company	(342,473)	2,461
Less: (Loss) profit for the period from discontinued operation	(264,822)	1,936
(Loss) profit for the purpose of basic (loss) earnings per share from continuing operations	(77,651)	525

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	3,031,101,766	2,765,374,434

For the year ended 31 December 2018, basic and diluted loss per share for the discontinued operation is HK8.74 cents per share (2017: HK0.07 cents earnings per share), based on the loss for the period from the discontinued operation of HK$264,822,000 (2017: profit for the period of HK$1,936,000) and the denominators detailed above for both basic and diluted loss per share.

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares attributable to convertible bonds. The calculation of diluted (loss) earnings per share in the both year does not assume the conversion of convertible bonds since they are anti-dilutive for the years ended 31 December 2018 and 2017. Accordingly, the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2017	–	3,578	666	985	4,932	10,161
Additions	–	130	153	7	–	290
Acquired on acquisition of subsidiaries *(note 34)*	41,298	132	168	30	483	42,111
Written off	–	(940)	(26)	–	–	(966)
Exchange realignment	244	6	2	–	3	255
At 31 December 2017 and at 1 January 2018	41,542	2,906	963	1,022	5,418	51,851
Additions	–	–	3,087	217	–	3,304
Deconsolidation of subsidiaries *(note 35)*	(41,542)	(133)	(169)	(30)	(486)	(42.360)
At 31 December 2018	–	2,773	3,881	1,209	4,932	12,795
Accumulated depreciation and impairment						
At 1 January 2017	–	781	292	733	3,944	5,750
Charge for the year	93	590	168	31	398	1,280
Written off	–	(551)	(9)	–	–	(560)
Exchange realignment	2	–	–	–	–	2
At 31 December 2017 and at 1 January 2018	95	820	451	764	4,342	6,472
Charge for the year	2,047	702	405	305	225	3,684
Deconsolidation of subsidiaries *(note 35)*	(2,142)	(124)	(169)	(30)	(12)	(2,477)
At 31 December 2018	–	1,398	687	1,039	4,555	7,679
Carrying amounts						
At 31 December 2018	–	1,375	3,194	170	377	5,116
At 31 December 2017	41,447	2,086	512	258	1,076	45,379

15. GOODWILL

	2018	2017
	HK$'000	*HK$'000*
COST		
At 1 January	**260,587**	98,626
Arising on acquisition of subsidiaries *(note 34)*	**–**	161,961
Deconsolidation of subsidiaries *(note 35)*	**(161,961)**	–
At 31 December	**98,626**	260,587
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss recognised during the year	**28,542**	–
At 31 December	**28,542**	–
CARRYING VALUES		
At 31 December	**70,084**	260,587

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to country of operation and operating segments as follow:

	2018	2017
	HK$'000	*HK$'000*
Wine and cigar and golf products – Hong Kong ("Unit A")	**70,084**	98,626
Peer-to-peer business – the PRC ("Unit B")	**–**	161,961
	70,084	260,587

15. GOODWILL (continued)

Impairment test for cash-generating units containing goodwill (continued)

The directors of the Company have reviewed the carrying value of goodwill in accordance with HKAS 36 as follows:

As at 31 December 2018, the recoverable amount of Unit A was assessed with reference to a valuation report by using a value-in-use calculation from Peak Vision Appraisals Limited, an independent valuation firm. These calculations use discounted cash flow projection based on financial forecasts approved by management covering a three-year period. Cash flows beyond the three-year period uses estimated growth rate of 3%. The cash flows are discounted using a discount rate of 13.1%.

Due to unstable economic environment in the Hong Kong and PRC, keen competition of the market and drop in demand for wine, cigar and golf products from both Hong Kong and PRC customers, the Group expected the sales orders would be decreased in next three years and revised the three-year period projection after taking into account the current operating environment and market condition. The key assumptions used in calculating the recoverable amount of Unit A were forecasted revenue, forecasted gross margin and discount rate. Management determined forecasted revenue and forecasted gross margin based on past performance, current economic environment and its expectations of the market development. The discount rate used was pre-tax and reflected specific risks relating to the business.

As at 31 December 2018, the net carrying amount of goodwill allocated to Unit A was reduced to its recoverable amount of approximately HK$70,084,000.

16. OTHER INTANGIBLE ASSET

	Customer Relationship	Brand name	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Note a)	*(Note b)*	
Cost			
At 1 January 2017	14,220	–	14,220
Acquired on acquisition of subsidiaries *(note 34)*	–	41,047	41,047
At 31 December 2017 and 1 January 2018	14,220	41,047	55,267
Deconsolidation of subsidiaries *(note 35)*	–	(41,047)	(41,047)
At 31 December 2018	14,220	–	14,220
Accumulated amortisation and impairment			
At 1 January 2017	2,607	–	2,607
Amortised for the year	2,844	–	2,844
At 31 December 2017 and 1 January 2018	5,451	–	5,451
Amortised for the year	2,844	–	2,844
Impairment loss recognised during the year	5,925	–	5,925
At 31 December 2018	14,220	–	14,220
Carrying amount			
At 31 December 2018	–	–	–
At 31 December 2017	8,769	41,047	49,816

Notes:

(a) The customer relationship was acquired as part of the acquisition of Maxpark Group and was recognised at its fair value at the acquisition date. The customer relationship has a finite useful life and is amortised on a straight-line basis over 5 years.

(b) The brand name is acquired as part of the acquisition of Affluent Group and is recognised as its fair value at the acquisition date.

The brand name is considered by the management of the Group as having indefinite useful lives because it is expected to contribute to net cash flows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

17. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Wine and golf instrument products	**70,951**	68,002
Watches and jewellery	**60,354**	–
	131,305	68,002

At 31 December 2018, the carrying amount of inventories of approximately HK$120,455,000 have been secured for promissory notes with carrying amount of HK$79,350,000 as at 31 December 2018.

18. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**129,027**	100,057
Less: Allowance for credit loss	**(1,796)**	–
	127,231	100,057

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to approximately HK$127,231,000 and HK$100,057,000 respectively.

18. TRADE RECEIVABLES (continued)

Ageing analysis of the Group's trade receivables net of allowance for credit loss as at the end of the reporting period, based on the invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**58,486**	24,099
31 to 60 days	**5,392**	16,600
61 to 90 days	**896**	7,407
91 to 180 days	**23,329**	30,380
181 to 360 days	**38,630**	21,284
Over 360 days	**498**	287
	127,231	100,057

The Group normally grants a credit period of 30 to 180 days to its customers.

Before accepting new customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customers on individual basis. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Recoverability and credit limit of the existing customers and overdue balances are reviewed by the senior management of the Group on regular basis. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or credit enhancements over its trade receivable balances.

As at 31 December 2018, included in trade receivables were an aggregate amount of approximately HK$39,144,000 which were past due and regarded as having low default risk by the management of the Company based on regular repayment history in the ECL assessment.

Subsequent to the reporting date, trade receivables of approximately HK$119,443,000 had been settled.

18. TRADE RECEIVABLES (continued)

Ageing of trade receivables which are past due but not impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**33,902**	15,831
31 to 60 days	**2,086**	6,853
61 to 90 days	**1,548**	6,138
91 to 180 days	**1,061**	14,675
181 to 360 days	**547**	1,428
Over 360 days	**–**	286
	39,144	45,211

The movements in allowance for expected credit losses during the years are set out below:

	2018	2017
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	–
Impact on initial application of HKFRS 9	**1,686**	–
	1,686	–
Increase in allowance recognised in the consolidated statement of profit or loss	**110**	–
Balance at end of the year	**1,796**	–

Included in the allowance for expected credit losses are individually impaired trade debtors with an aggregate balance of approximately HK$1,796,000 (2018: HK$Nil). For overdue debts, the Group assessed the customers for potential impairment losses based on the past default experience, payment history of the customers and subsequent settlement.

Details of impairment assessment of trade debtors for the year ended 31 December 2018 are set out in note 4.

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Other receivables	**11,592**	15,695
Other receivables from P2P business *(note a)*	**–**	45,980
Rental and other deposits	**2,358**	2,925
Deposits for acquisition of property, plant and equipment	**–**	3,000
Purchase deposits *(note b)*	**9,710**	21,356
Other prepayments	**580**	797
	24,240	89,753
Less: allowance for doubtful debts	**–**	(993)
	24,240	88,760

Notes:

(a) As at 31 December 2017, other receivables from P2P business represented the repayment to investors in relation to the P2P services. These balances are recoverable from respective borrowers in P2P loan facilitation services and those balances were fully secured by real estates located in the PRC.

(b) The amount represented deposits paid to suppliers for purchasing of trading inventories. Subsequent to the reporting date, the purchase orders had been cancelled and all the deposits had been refunded by cash.

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Current assets	**23,030**	87,693
Non-current assets	**1,210**	1,067
	24,240	88,760

Movements in the allowance for doubtful debts as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**993**	–
Deconsolidation of subsidiaries	**(993)**	87
Impairment loss recognised	**–**	882
Exchange realignment	**–**	24
At 31 December	**–**	993

20. LOAN AND INTEREST RECEIVABLES

	2018 HK$'000	2017 HK$'000
Loan receivable	**10,000**	10,000
Interest receivable	**450**	150
	10,450	10,150
Impairment loss recognised	**(3,570)**	–
	6,880	10,150

The amounts represent loan to an independent third party at a fixed interest rate of 18% per annum with a period of one year and matured on 1 December 2018. The loan receivable is fully secured by listed equity securities in Hong Kong. During the year, the loan receivable is past due and impaired to amount equal to the fair value of pledged listed securities as at 31 December 2018 amounting to HK$6,880,000. Subsequent to the reporting period, the Group had realised all the above pledged listed securities to recover the loan and interest receivables.

21. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**23,120**	226,150

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with banks with good credit rating and with no recent history of default.

Included in cash and cash equivalents in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the Group.

	2018 HK$'000	2017 HK$'000
USD	**44**	2
RMB	**12**	127,399
JPY	**22**	33
NTD	**3**	3

22. TRADE PAYABLES

The average credit period on purchase of goods is 30 to 60 days. The following is an ageing analysis of trade payables based on the invoice date.

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**862**	609
31 to 60 days	**240**	200
61 to 90 days	**–**	50
91 to 180 days	**110**	12
Over 180 days	**–**	2
	1,212	873

23. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2018	2017
	HK$'000	*HK$'000*
Receipts in advance in relation to P2P business *(note a)*	**–**	79,422
Contract liabilities in relation to sale of goods	**1,251**	–
Deposits received	**–**	2,127
Interest payable on promissory notes	**10,754**	559
Other payables and accruals	**1,308**	15,838
	13,313	97,946
Portion classified as non-current liabilities	**(6,778)**	(559)
	6,535	97,387

Note:

(a) Receipts in advance in relation to P2P business represent the deferred consultancy service income arose from a standard rate on P2P loan facilitation services in accordance with the respective agreements and deferred consultancy service income will be recognised as revenue at the date of completion of P2P loan facilitation services.

24. SECURED BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Current liabilities	–	662
Non-current liabilities	–	4,501
	–	5,163

The scheduled principal repayment dates of the loan with reference to the bank loan agreement are as follow.

	2018	2017
	HK$'000	*HK$'000*
The carrying amounts of the above borrowings are repayable:		
Within one year	–	662
In the second year	–	706
In the third to fifth years, inclusive	–	2,406
Over five years	–	1,389
	–	5,163

The secured bank borrowings, which is denominated in RMB, is secured by the Group's land and building with a carrying value of approximately RMB12,084,000 (equivalent to approximately HK$14,318,000) as at 31 December 2017 and supported by guarantees provided by a director of the Group's subsidiary and an independent guarantee company established in the PRC. It bears interest at 6.37% per annum.

25. AMOUNTS DUE TO DIRECTORS

Amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

26. CONVERTIBLE BONDS

On 22 January 2014, the Group issued convertible bonds with an aggregate principal amount of HK$312,000,000 due in 2019 with conversion price of HK$2.45 per share (adjusted) (the "CB I") to settle the Group's contingent consideration payable. The CB I does not bear any interest. The effective interest rate of the liability component is 7.92% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB I. As at 31 December 2018, the CB I with an aggregate principal amount of HK$54,600,000 remained outstanding (2017: HK$54,600,000).

26. CONVERTIBLE BONDS (continued)

On 25 January 2016, the Group issued convertible bonds with an aggregate principal amount of HK$100,000,000 due in 2021 with conversion price of HK$0.42 per share (the "CB II") to settle the Group's consideration payable for the acquisition of Maxpark Group. The CB II did not bear any interest. The effective interest rate of the liability component was 19.97% per annum. The maturity date was on the fifth anniversary of the date of issue of the CB II. During the year 2017, the CB II with the aggregate principal amount of HK$100,000,000 were fully converted into shares.

On 26 May 2016, the Group issued convertible bonds with an aggregate principal amount of HK$10,000,000 due in 2018 with conversion price of HK$0.25 per share (the "CB III"). The Company used the proceed up to HK$9,900,000 for the Group's general working capital. The CB III does not bear any interest. The effective interest rate of the liability component is 20.66% per annum. The maturity date is on the second anniversary of the date of issue of the CB III. During the year 2017, the CB III with an aggregate principal amount of HK$10,000,000 were fully converted into shares.

On 8 July 2016, the Group issued convertible bonds with an aggregate principal amount of HK$90,000,000 due in 2018 with conversion price of HK$0.25 per share (the "CB IV"). The Company intended to use up to HK$25,000,000 for repayment of convertible bonds, HK$55,000,000 for the repayment of other debts and payable and the remaining for the Group's general working capital. The CB IV did not bear any interest. The effective interest rate of the liability component was 20.24% per annum. The maturity date was on the second anniversary of the date of issue of the CB IV. During the year 2017, the CB IV with an aggregate principal amount of HK90,000,000 were fully converted into shares.

On 23 August 2016, the Group issued convertible bonds with an aggregate principal amount of HK$25,000,000 due in 2018 with conversion price of HK$0.24 per share (the "CB V"). The Company intended to use up to HK$24,900,000 for repayment of convertible bonds. The CB V did not bear any interest. The effective interest rate of the liability component was 15.61% per annum. The maturity date was on one year from the date of issue of the CB V. During the year 2017, the CB V with an aggregate principal amount of HK$25,000,000 were fully redeemed.

On 1 September 2016, the Group issued convertible bonds with an aggregate principal amount of HK$35,000,000 due in 2017 with conversion price of HK$0.23 per share (the "CB VI"). The Company intended to use up to HK$15,000,000 for repayment of other debts and payable, HK$15,000,000 for purchasing inventory and the remaining for the Group's general working capital. The CB VI does not bear any interest. The effective interest rate of the liability component is 19.45% per annum. The maturity date is one year from the date of issue of the CB VI. During the year 2017, the CB VI with an aggregate principal amount of HK$35,000,000 were fully redeemed.

On 4 September 2017, the Group issued convertible bonds with an aggregate principal amount of HK$69,000,000 due in 2018 with conversion price of HK$0.133 per share (the "CB VII"). The Company intended to use up all HK$69,000,000 for repayment of matured convertible bonds. The CB VII does not bear any interest. The effective interest rate of the liability component is 19.66% per annum. The maturity date is one year from the date of issue of the CB VII. As at 31 December 2018, the CB VII with an aggregate principal amount of HK$69,000,000 were fully redeemed.

26. CONVERTIBLE BONDS (continued)

On 28 November 2017, the Group issued convertible bonds with an aggregate principal amount of HK$80,000,000 due in 2022 with conversion price of HK$0.165 per share (the "CB VIII") as part of the consideration for acquisition for Affluent Grand Limited. The CB VIII does not bear any interest. The effective interest rate of the liability component is 18.72% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB VIII. As at 31 December 2018, the CB VIII with an aggregate principal amount of HK$80,000,000 remained outstanding (2017: HK$80,000,000).

On 23 April 2018, the Group issued convertible bonds with an aggregate principal amount of HK$100,000,000 due in 2023 with conversion price of HK$0.42 per share (the "CB IX") to settle the Group's contingent consideration payable. The CB IX do not bear any interest. The effective interest rate of the liability component is 19.14% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB IX. As at 31 December 2018, the CB IX with an aggregate principal amount of HK$100,000,000 remained outstanding. Subsequent to the reporting period, CB IX has been fully settled. Details refer to note 43 to the consolidated financial statements.

The various components of the Group's convertible bonds recognised on initial recognition are as follows:

	CB I *HK$'000*	CB II *HK$'000*	CB III *HK$'000*	CB IV *HK$'000*	CB V *HK$'000*	CB VI *HK$'000*	CB VII *HK$'000*	CB VIII *HK$'000*	CB IX *HK$'000*
Proceeds of issue, at face value	236,376	100,000	10,000	90,000	25,000	35,000	69,000	80,000	51,267
Equity component	(12,554)	(57,753)	(2,788)	(24,635)	(130)	(1,300)	(2,687)	(44,383)	(7,551)
Liability component at date of issue	223,822	42,247	7,212	65,365	24,870	33,700	66,313	35,617	43,716

The movements of the liability component of the Group's convertible bonds are as follows:

	CB I *HK$'000*	CB II *HK$'000*	CB III *HK$'000*	CB IV *HK$'000*	CB V *HK$'000*	CB VI *HK$'000*	CB VII *HK$'000*	CB VIII *HK$'000*	CB IX *HK$'000*	Total *HK$'000*
At 1 January 2017	48,910	49,921	8,047	71,675	26,101	35,755	–	–	–	240,409
Issued during the year	–	–	–	–	–	–	66,313	35,617	–	101,930
Interest charged during the year *(note 7)*	3,872	3,939	655	5,721	2,649	4,495	4,088	513	–	25,932
Redeemed during the year	–	–	–	–	(28,750)	(40,250)	–	–	–	(69,000)
Conversion of convertible assets	–	(53,860)	(8,702)	(77,396)	–	–	–	–	–	(139,958)
At 31 December 2017 and 1 January 2018	52,782	–	–	–	–	–	70,401	36,130	–	159,313
Issued during the year	–	–	–	–	–	–	–	–	43,716	43,716
Interest charged during the year *(note 7)*	4,178	–	–	–	–	–	8,949	6,764	5,418	25,309
Redeemed during the year	–	–	–	–	–	–	(79,350)	–	–	(79,350)
At 31 December 2018	56,960	–	–	–	–	–	–	42,894	49,134	148,988
Classified as current liabilities	(56,960)	–	–	–	–	–	–	–	–	(56,960)
Non-current liabilities	–	–	–	–	–	–	–	42,894	49,134	92,028
At 31 December 2017	52,782	–	–	–	–	–	70,401	36,130	–	159,313
Classified as current liabilities	–	–	–	–	–	–	(70,401)	–	–	(70,401)
Non-current liabilities	52,782	–	–	–	–	–	–	36,130	–	88,912

27. PROMISSORY NOTES PAYABLE

	Total
	HK$'000
At January 2017	–
Issued during the year, at fair value	71,984
Effective interest charge *(note 7)*	1,024
Interest payable	(559)
At 31 December 2017 and 1 January 2018	72,449
Issued during the year, at fair value	79,350
Effective interest charge *(note 7)*	18,336
Interest payable	(10,195)
At 31 December 2018	159,940

	2018	2017
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Current assets	**79,350**	–
Non-current assets	**80,590**	72,449
	159,940	72,449

During the year ended 31 December 2017, the Group issued two promissory notes with an aggregate principal amount of HK$100,000,000 due in 2020 with fixed interest rate at 6% per annum as part of considerations in the acquisition of Affluent Group. The effective interest rate 18.48% per annum. As at 31 December 2018, these promissory notes with carrying amount of approximately HK$80,590,000 remained outstanding (2017: approximately HK$72,449,000).

During the year ended 31 December 2018, the Group issued two promissory notes with an aggregate principal amount of HK$79,350,000 due in 2019 with fixed interest rate at 15% per annum. As at 31 December 2018, these promissory notes with carrying amount of approximately HK$79,350,000 remained outstanding (2017: Nil).

28. DEFERRED TAX ASSETS (LIABILITIES)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset where there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018	2017
	HK$'000	*HK$'000*
Deferred tax assets	**216**	249
Deferred tax liabilities	**–**	(11,192)
	216	(10,943)

The movements in deferred tax assets (liabilities) of the Group during the year were as follows:

	Brand name	**Customer relationship**	**Allowance for doubtful debts**	**Accelerated tax depreciation**	**Tax losses**	**Unrealised profit arising from internal transactions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	–	(2,346)	–	2	48	–	(2,296)
Acquired on acquisition of subsidiaries *(note 34)*	(10,262)	–	22	–	–	–	(10,240)
Credit to profit or loss *(note 8)*	–	899	221	30	274	163	1,587
Exchange realignment	–	–	6	–	–	–	6
At 31 December 2017 and 1 January 2018	(10,262)	(1,447)	249	32	322	163	(10,943)
Deconsolidation of subsidiaries *(note 35)*	10,262	–	(239)	–	–	–	10,023
Credit to profit or loss *(note 8)*	–	1,447	(10)	(273)	(12)	(16)	1,136
At 31 December 2018	–	–	–	(241)	310	147	216

As at 31 December 2018, the Group has unused tax losses of approximately HK$38,250,000 (2017: approximately HK$38,320,000) available for offset against future profits.

29. CONTINGENT CONSIDERATION PAYABLES

The balance represents the contingent consideration payables in relation to the acquisition of Maxpark Group and Affluent Group from independent third parties.

	Maxpark Group	**Affluent Group**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Note a)	*(Note b)*	
Contingent consideration payable, at fair value:			
At 1 January 2017	49,529	–	49,529
Recognition upon acquisition of subsidiaries *(note 34)*	–	42,530	42,530
Change in fair value	35	245	280
At 31 December 2017 and 1 January 2018	49,564	42,775	92,339
Fair value of convertible bonds at the date of settlement	(51,267)	–	(51,267)
Deconsolidation of subsidiaries *(note 35)*	–	(42,775)	(42,775)
Loss on settlement of contingent consideration payable	1,703	–	1,703
At 31 December 2018	–	–	–

29. CONTINGENT CONSIDERATION PAYABLES (continued)

	2017
	HK$'000
Analysed for reporting purpose as:	
Current liabilities	49,564
Non-current liabilities	42,775
	92,339

Notes:

(a) Pursuant to the sales and purchase agreement entered into the Group and the vendor on the acquisition of 100% equity interest in Maxpark Enterprises Limited and its subsidiaries (collectively "Maxpark Group"), the Group is liable to pay contingent consideration by the issue of the Company's convertible bonds up to HK$100 million to the vendor ("Contingent Consideration I"). The Contingent Consideration I is subject to adjustment based on the profit guarantee provided by the vendor. The vendor irrevocably and unconditionally guarantees to the Company that the audited consolidated net profit after tax (excluding extraordinary or exceptional items according to the HKFRSs) of the Maxpark Group (i) for the first year immediately after the completion date shall be no less than HK$35 million and (ii) for the second year immediately after completion date shall be no less than HK$40 million.

As at 31 December 2017, the fair value of the contingent consideration payable amounted to HK$49,564,000, of which a fair value loss of HK$35,000 was recognised in profit or loss during the year.

On 23 April 2018, the Group issued convertible bonds with an aggregate principal amount of HK$100,000,000 due in 2023 with conversion price of HK$0.42 per share (the "CB IX") to settle the Group's contingent consideration payable with carrying amount of HK$49,564,000 as at 31 December 2017. The fair value of the CB IX amounted to HK$51,267,000, thus resulted a loss on settlement of HK$1,703,000 recognised to profit or loss during the year. The CB IX was valued by Peak Vision Appraisals Limited, an independent valuation firm, using Binomial Option Pricing Model.

(b) Pursuant to the sales and purchase agreement entered into the Group and the vendor on the acquisition of 100% equity interest in Affluent Grand Limited and its subsidiaries (collectively "Affluent Group"). The Group is liable to settle the contingent consideration by the issue of the Company's convertible bonds up to HK$80 million to the vendor ("Contingent Consideration II"). The Contingent Consideration II is subject to adjustment based on the profit guarantee provided by the vendor. The vendor irrecoverably and unconditionally guarantees to the Company that the aggregate audited consolidated net profit after tax (excluding extraordinary or exceptional items according to the HKFRS) of the Affluent Group for the first two years immediately after the completion date shall be no less than HK$65 million.

As at 31 December 2017, the fair value of the contingent consideration payables amounted to approximately HK$42,775,000, of which a fair value loss of HK$245,000 was recognised in profit or loss during the year.

The contingent consideration payables constitute embedded derivatives within the scope of HKAS 39, and were recognised at their fair value as liability on initial recognition and are subsequently remeasured at fair value with changes in fair value recognised in profit or loss.

The fair values of the contingent consideration payables were determined with reference to the valuations as at those dates performed by an independent valuation valuer.

30. SHARE CAPITAL

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2017: 100,000,000,000) ordinary shares of HK$0.005 (2017: HK$0.005) each	**500,000**	500,000
Issued and fully paid:		
3,031,101,766 (2017: 3,031,101,766) ordinary shares of HK$0.005 (2017: HK$0.005) each	**15,156**	15,156

	Number of shares in issue	Issued capital	Share premium account	Total
		HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017	2,393,006,528	11,965	1,773,338	1,785,303
Conversion of convertible bonds	638,095,238	3,191	221,943	225,134
At 31 December 2017, 1 January 2018 and 31 December 2018	3,031,101,766	15,156	1,995,281	2,010,437

During the year ended 31 December 2017, three CBs were fully converted into ordinary shares as follows.

Notes:

(i) The Company issued 238,095,238 ordinary shares of HK$0.005 each at conversion price of HK$0.42 for full conversion of the CB II with principal amount of HK$100,000,000. Upon conversion, the liability component of approximately HK$53,860,000 of the convertible bonds were transferred to the issued capital of approximately HK$1,191,000 and the share premium amount of approximately HK$110,422,000.

(ii) The Company issued 40,000,000 ordinary shares of HK$0.005 each at conversion price of HK$0.25 for full conversion of the CB III with principal amount of HK$10,000,000. Upon conversion, the liability component of approximately HK$8,702,000 of the convertible bonds were transferred to the issued capital of approximately HK$200,000 and the share premium amount of approximately HK$11,290,000.

(iii) The Company issued 360,000,000 ordinary shares of HK$0.005 each at conversion price of HK$0.25 for full conversion of the CB IV with principal amount of HK$90,000,000. Upon conversion, the liability component of approximately HK$77,396,000 of the convertible bonds were transferred to the issued capital of approximately HK$1,800,000 and the share premium amount of approximately HK$100,231,000.

All the new shares issued rank pari passu with the existing ordinary shares of the Company in all respects.

31. SHARE OPTION SCHEME

The Company adopted a new share option scheme on 16 June 2017 ("the Scheme"), which became effective for a period of 10 years commencing on 16 June 2017. Under the Scheme, the Directors of the Company may, at their discretion, grant options to any eligible person to subscribe for the shares of the Company ("Share") at the highest of: (i) the closing price of the Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 28 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adopting the Scheme.

During the years ended 31 December 2018 and 2017, no share option was granted under the Scheme and no share option was lapsed or cancelled. As at 31 December 2018 and 2017, no share options were outstanding.

32. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At 31 December 2018, the Group had commitments for minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**5,339**	5,029
In the second to fifth years, inclusive	**3,941**	2,205
	9,280	7,234

33. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties:

The Group's balances due to directors of the Company as at the end of the reporting period are unsecured, interest-free and have no fixed term of repayment.

(b) Compensation of key management personnel of the Group:

	2018	2017
	HK$'000	*HK$'000*
Fees, salaries and allowances	**4,778**	3,114
Retirement benefits scheme contribution	**32**	8
	4,810	3,122

(c) Transaction with a related party

As at 31 December 2017, a director of subsidiary of the Group provided a guarantee for the Group's bank borrowings amounting to HK$5,163,000 (equivalent to approximately RMB4,358,000) granted to the Group.

34. BUSINESS COMBINATION

On 28 November 2017, the Group acquired the entire equity interest in Affluent Group from independent third parties for consideration of HK$380,000,000. This acquisition has been accounted for using the acquisition method.

The fair values of identifiable assets and liabilities of Affluent Group as at the date of the acquisition were as follows:

	2017 *HK$'000*
Property, plant and equipment	42,111
Other intangible assets – brand name	41,047
Deferred tax assets	22
Trade receivables	3,451
Deposits, prepayments and other receivables	88,138
Cash and cash equivalents	92,443
Accruals, other payables and deposits received	(93,813)
Tax payable	(5,398)
Secured bank loans	(5,186)
Deferred tax liabilities	(10,262)
Net identifiable assets attributable to owners of the Company	152,553
Goodwill arising on business combination *(note 15)*	161,961
Total consideration at fair value	314,514

	HK$'000
Satisfied by:	
Cash	120,000
Promissory note payables *(note 27)*	71,984
Convertible bond with principal amount of HK$80,000,000	80,000
Contingent consideration payable *(note 29)*	42,530
Total	314,514

34. BUSINESS COMBINATION (continued)

	2017
	HK$'000
Cash consideration	(120,000)
Less: Cash and cash equivalents acquired	92,443
Net cash outflow in respect of the acquisition of subsidiaries	(27,557)

Acquisition-related costs of HK$2,556,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2017.

The acquisition of Affluent Group contributed approximately HK$7,809,000 to the Group's turnover and approximately HK$2,639,000 to the Group's profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit for the year attributed to the Group would have been approximately HK$76,335,000 and approximately HK$39,684,000 respectively.

35. DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 3 of the consolidated financial statements, due to the obstructions faced by the Company in exercising control over, and gathering information and documents from, the Deconsolidated subsidiaries, the Company regard that it has lost control over the Deconsolidated subsidiaries. Under these circumstances, the directors have not been able to obtain complete documentary information to satisfy themselves regarding the accounting treatments and carrying values in respect of those transactions for the year ended 31 December 2018. As such, the assets and liabilities of the Deconsolidated subsidiaries have not been included in the consolidated financial statements of the Group since 1 September 2018. The resulting loss on de-consolidation of approximately HK$288,084,000, which is determined based on the net asset value of approximately HK$283,436,000 and foreign currency translation reserve of approximately HK$4,648,000 of the Deconsolidated subsidiaries as at 1 January 2018 have been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

	HK$'000
Property, plant and equipment	39,883
Goodwill	161,961
Deferred tax assets	239
Other intangible asset – brand name	41,047
Other receivables, deposits and prepayments	169,724
Cash and cash equivalents	9,877
Accruals, other payables and deposits received	(75,180)
Tax payable	(6,519)
Bank borrowings	(4,559)
Deferred tax liabilities	(10,262)
Contingent consideration payable	(42,775)
Net assets deconsolidated	283,436
Release of foreign currency translation reserve	4,648
Loss on deconsolidation of subsidiaries, net	288,084

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest payables from financing activities	**Bank borrowings**	**Promissory note payables**	**Convertible bonds**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 1 January 2018	**559**	**5,163**	**72,449**	**159,313**	**237,484**
Changes from financing cash flows:					
Raised	**–**	**–**	**79,350**	**43,716**	**123,066**
Repayment	**–**	**(604)**	**–**	**–**	**(604)**
Redemption	**–**	**–**	**–**	**(79,350)**	**(79,350)**
Deconsolidation of subsidiaries	**–**	**(4,559)**	**–**	**–**	**(4,559)**
Other changes:					
Interest charges	**10,195**	**–**	**8,141**	**25,309**	**43,645**
At 31 December 2018	**10,754**	**–**	**159,940**	**148,988**	**319,682**

	Interest payables from financing activities	Bank borrowings	Promissory notes payables	Convertible bonds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	–	–	–	240,409	240,409
Changes from financing cash flows:					
Raised	–	–	–	66,313	66,313
Repayment	–	(53)	–	–	(53)
Redemption	–	–	–	(69,000)	(69,000)
Conversion	–	–	–	(139,958)	(139,958)
Acquisition of subsidiaries	–	5,186	71,984	35,617	112,787
Other changes:					
Interest charges	559	28	465	25,932	26,984
Repayment of interests	–	(28)	–	–	(28)
Effect of foreign exchange rate change	–	30	–	–	30
At 31 December 2017	559	5,163	72,449	159,313	237,484

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2018 HK$'000	2017 HK$'000
Financial assets		
At amortised cost/loan and receivables		
– Trade receivables	**127,231**	100,057
– Loan and interest receivables	**6,880**	10,150
– Financial assets included in other receivables, deposits and prepayments	**23,660**	87,963
– Cash and cash equivalents	**23,120**	226,150
	180,891	424,320

	2018 HK$'000	2017 HK$'000
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	**1,212**	873
– Financial liabilities included in accruals, other payables and deposits received	**13,313**	18,524
– Secured bank borrowings	**–**	5,163
– Amounts due to directors	**5,116**	5,834
– Convertible bonds	**148,988**	159,313
– Promissory note payables	**159,940**	72,449
Financial liabilities at FVTPL		
– Contingent consideration payable	**–**	92,339
	328,569	354,495

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(i) Fair value of the Group's financial instruments that are measured at fair value

At the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated their fair values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

	2018	2017
	HK$'000	*HK$'000*
Level 3:		
Contingent consideration payable *(note 29)*	**–**	92,339

Note:

The fair values of contingent consideration payables classified as Level 3 were determined by management's valuation assessment with reference to the valuation reports provided by respective independent valuation firms. The following table gives information about how the fair values of contingent consideration payables are determined (in particular, the valuation techniques(s) and inputs used).

	2018	2017	**Fair value hierarchy**	**Valuation technique(s)**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
	HK$'000	*HK$'000*				
Contingent consideration payable	**–**	92,339	Level 3	Monte Carlo simulation model	Discount rate – 12.57% to 19.13%	The higher the discount rate, the lower the fair value
					Volatility – 32.43% to 43.17%	The higher the volatility, the higher the fair value

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(i) Fair value of the Group's financial instruments that are measured at fair value (continued)

***Fair value hierarchy** (continued)*

Note: (continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follow:

	Contingent consideration payable
	HK$'000
At 1 January 2017	49,529
Recognition upon acquisition of subsidiaries	42,530
Change in fair value	280
At 31 December 2017 and 1 January 2018	92,339
Fair value of convertible bonds at the date of settlement	(51,267)
Deconsolidation subsidiaries *(note 35)*	(42,775)
Loss on settlement of contingent consideration payable	1,703
At 31 December 2018	–

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise trade receivables, loan and interest receivables, financial assets included in other receivables, deposits and prepayments, refundable deposits for acquisition of investments, cash and cash equivalents, trade payables, financial liabilities included in accruals, other payables and deposits received, secured bank borrowings, amounts due to directors, promissory notes payable, contingent consideration payables and convertible bonds. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for these risks and they are summarised below.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank deposits and secured bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2017: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2017: 100 basis points) higher/lower and all other variables held constant, the Group's loss for the year ended 31 December 2018 would decrease/increase by approximately HK$231,000 (2017: profit for the year increase/decrease by approximately HK$2,210,000). This is mainly attributable to the Group's exposure to interest rates on its interest-bearing bank deposits and secured bank borrowings.

Foreign currency risk

The Group has foreign currency assets and liabilities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follow:

	Assets 2018 *HK$'000*	**Liabilities 2018 *HK$'000***	Assets 2017 *HK$'000*	Liabilities 2017 *HK$'000*
RMB	**12**	**–**	185,528	99,431

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. For the foreign currency risk of the Group's financial assets and liabilities the exposure is mainly in RMB against HKD.

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HKD, the effect in the profit (loss) for the year is as follow:

	Impact of RMB	
	2018	2017
	HK$'000	*HK$'000*
Increase/decrease in profit (loss) for the year	**–**	4,305

Credit risk

The Group's credit risk is primarily attributable to trade receivables. The exposure to the credit risk is closely monitored on an ongoing basis by established credit policies. There is no significant credit risk within the Group.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and deposits and loan and interest receivables, arises from default of the counterparty, has a maximum exposure equal to the carrying amounts of these instruments.

The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. The Group determines the provision for expected credit losses by grouping together trade debtors with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic environment. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

As at 31 December 2018, allowance for expected credit losses of approximately HK$110,000 represents individually credit impaired trade debtors as the management considered the outstanding balances from these customers were uncollectible.

Expected credit losses rate for remaining trade receivables approximate to zero as these trade receivables have no recent history of default and the balances are considered to be fully recoverable.

The Group performs expected credit losses estimates based on collaterals against loan receivables, borrowers' creditworthiness, the payment delinquency of default in interest or principal payments, borrowers' business and the industry to which borrowers belong and local economic conditions. The Directors are of the opinion that no allowance for expected credit losses is necessary for these balances as there is no significant credit risk.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial liabilities and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the internal source of funds to meet its working capital and capital expenditure requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2018					
	On demand or less than 12 months	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Contractual undiscounted cash flow**	**Carrying amounts**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Trade payables	**1,212**	**–**	**–**	**–**	**1,212**	**1,212**
Financial liabilities included in accruals, other payables and deposits received	**6,535**	**6,778**	**–**	**–**	**13,313**	**13,313**
Amounts due to directors	**5,116**	**–**	**–**	**–**	**5,116**	**5,116**
Convertible bonds	**54,600**	**–**	**180,000**	**–**	**234,600**	**148,988**
Promissory note payables	**79,350**	**100,000**	**–**	**–**	**179,350**	**159,940**
	146,813	**106,778**	**180,000**	**–**	**433,591**	**328,569**

	2017					
	On demand or less than 12 months	1 to 2 years	2 to 5 years	Over 5 years	Contractual undiscounted cash flow	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	873	–	–	–	873	873
Financial liabilities included in accruals, other payables and deposits received	17,964	–	560	–	18,524	18,524
Amounts due to directors	5,834	–	–	–	5,834	5,834
Secured bank borrowings	972	972	2,915	1,458	6,317	5,163
Convertible bonds	69,000	54,600	80,000	–	203,600	159,313
Promissory note payables	–	–	100,000	–	100,000	72,449
Contingent consideration payables	100,000	80,000	–	–	180,000	92,339
	194,643	135,572	183,475	1,458	515,148	354,495

40. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares and share buy-backs as well as the raising of new debts, if required.

The Group manages its capital structure and makes adjustments to it in 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 shareholders, return capital to shareholders or issues new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered paid-up capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Directly held:					
Ample Rich Capital Limited#	British Virgin Islands ("BVI")	US$1	**100**	100	Investment holding
Forever Wise Developments Limited#	BVI	US$1	**100**	100	Investment holding
Maxpark Enterprises Limited*#	BVI	US$1	**100**	100	Investment holding
Affluent Grand Limited**	BVI	US$2	**100**	100	Investment holding

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered paid-up capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Indirectly held:					
Sky Topworld Limited	Hong Kong	HK$1	**100**	100	Holding of a motor vehicle
Queensway Wine International Limited	Hong Kong	HK$2,000,000	**100**	100	Sales of wine (wholesales)
Queensway Wine (Hong Kong) Limited	Hong Kong	HK$2,000,000	**100**	100	Sales of wine (retail sales)
Queensway Golf International Limited	Hong Kong	HK$800,000	**100**	100	Sales of golf products (retail sales)
Mass Fortune (Asia) Limited*	Hong Kong	HK$1	**100**	100	Sales of golf products (wholesales)
Kasco (HK) Limited*	Hong Kong	HK$1,500,000	**90.5**	90.5	Sales of golf products (wholesales)
Queensway Travel Limited**	Hong Kong	HK$500,000	**100**	100	Provision of travel service
Queensway Watch & Jewellery Limited***	Hong Kong	HK$1	**100**	100	Sales of watch and jewellery
China Fortune Investments Finance Limited	Hong Kong	HK$1	**100**	100	Provision of money lending service
Win Wave Development Limited*	Hong Kong	HK$2	**100**	100	Investment holding
成都幸福口袋企業管理諮詢有限公司*#	PRC	RMB1,000,000	**100**	100	Investment holding
口貸網絡服務股份有限公司*#	PRC	RMB55,000,000	**100**	100	Provision of consultancy service on P2P loan operation

* *Acquired on 28 November 2017.*

** *Incorporated on 27 January 2017.*

*** *Incorporated on 13 December 2017.*

The statutory financial statements of these subsidiaries are not audited by HLM CPA Limited.

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2018 *HK$'000*	2017 *HK$'000*
Non-current assets		
Property, plant and equipment	**1,037**	1,382
Deposits and prepayments	**–**	1,067
Investment in subsidiaries *(Note a)*	**335,908**	474,541
	336,945	476,990
Current assets		
Deposits and other receivables	**1,660**	748
Cash and cash equivalents	**360**	339
	2,020	1,087
Current liabilities		
Accruals, other payables and deposits received	**5,046**	983
Amounts due to directors	**4,167**	4,590
Promissory note payables	**79,350**	–
Convertible bonds	**56,960**	70,401
Contingent consideration payable	**–**	49,564
	145,523	125,538
Net current liabilities	**(143,503)**	(124,451)
Total assets less current liabilities	**193,442**	352,539
Non-current liabilities		
Promissory note payables	**80,590**	72,449
Other payables	**6,779**	559
Convertible bonds	**92,027**	88,912
Contingent consideration payable	**–**	42,775
	179,396	204,695
Net assets	**14,046**	147,844
Capital and reserves		
Issued capital	**15,156**	15,156
Reserves *(Note b)*	**(1,110)**	132,688
Total equity	**14,046**	147,844

Mr. Cheng Chun Tak
Director

Ms. Li Ka Ki
Director

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note a: Investment in subsidiaries

	2018 *HK$'000*	2017 *HK$'000*
Unlisted shares, at cost	**203,254**	518,768
Amounts due from subsidiaries	**136,673**	151,595
Amounts due to subsidiaries	**(3,019)**	(194,822)
	336,908	475,541
Provision for impairment	**(1,000)**	(1,000)
	335,908	474,541

Movements in the provision for impairment are as follows:

	2018 *HK$'000*	2017 *HK$'000*
At 1 January	**1,000**	1,000
Write off	**–**	–
At 31 December	**1,000**	1,000

Balances with subsidiaries are unsecured, interest-free and not expected to be settled within the next twelve months from the end of the reporting period.

Note b: Movement of the reserves of the Company is as follows:

	Share premium account *HK$'000*	**Convertible bonds equity reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2017	1,773,338	88,804	(1,873,754)	(11,612)
Issue of shares upon conversion of convertible bonds	221,943	(85,175)	–	136,768
Issue of convertible bonds	–	47,069	–	47,069
Derecognition of convertible bonds equity reserve at maturity	–	(1,431)	1,431	–
Loss and total comprehensive expense for the year	–	–	(39,537)	(39,537)
At 31 December 2017 and 1 January 2018	1,995,281	49,267	(1,911,860)	132,688
Issue of convertible bonds	–	7,551	–	7,551
Derecognition of convertible bonds equity reserve at maturity	–	(2,687)	2,687	–
Loss and total comprehensive expense for the year	–	–	(141,349)	(141,349)
At 31 December 2018	1,995,281	54,131	(2,050,522)	(1,110)

43. EVENTS AFTER THE REPORTING PERIOD

On 30 October 2019, the Company and the holder of CB IX ("CB Holder"), entered into a deed of novation pursuant to which the CB Holder agreed to repay the Group's outstanding trade receivables amounting to approximately HK$56,327,000 on behalf of the Group's trade debtors by way of set-off against the CB IX. The CB Holder agreed to accept the sum of approximately HK$56,327,000 in full as final settlement of the outstanding of CB IX. As at the date of this report, the Company has confirmed the trade receivables amounting to approximately HK$56,327,000 have been fully settled and the CB Holder confirmed that the amount of CB IX has been fully settled and discharged.

On the same date, the CB Holder has signed a guarantee document to the Company pursuant to which the CB Holder unconditionally and irrevocably guaranteed to the Company the due and punctual payment and discharge of trade receivables amounting to approximately HK$24,171,000 due by the certain trade debtors in accordance with agreed repayment schedule.

44. COMPARATIVE INFORMATION

Certain comparative amounts have been reclassified to conform with the current year's presentation.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 1 November 2019.

FINANCIAL SUMMARY

31 December 2018

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

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Re-presented)			
REVENUE	**249,033**	215,806	179,791	127,037	146,188
(Loss) profit before tax	**(74,747)**	7,361	(11,787)	(423,493)	(18,168)
Income tax expense	**(2,898)**	(6,952)	(7,246)	(1,911)	(2,528)
(Loss) profit for the year from continuing operations	**(77,645)**	409	(19,033)	(425,404)	(20,696)
(Loss) profit before tax from discontinued operations	**(257,068)**	2,815	(87,905)	–	–
Income tax expense	**(7,754)**	(879)	(7,550)	–	–
(Loss) profit for the year from discontinued operations	**(264,822)**	1,936	(95,455)	–	–
(Loss) profit for the year	**(342,467)**	2,345	(114,488)	(425,404)	(20,696)
Attributable to:					
Owners of the Company	**(342,473)**	2,461	(114,476)	(425,404)	(20,696)
Non-controlling interests	**6**	(116)	(12)	–	–
	(342,467)	2,345	(114,488)	(425,404)	(20,696)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**388,192**	848,901	524,726	552,182	845,698
TOTAL LIABILITIES	**(329,321)**	(452,723)	(318,626)	(338,293)	(462,612)
NON-CONTROLLING INTERESTS	**(376)**	(370)	(486)	–	–
NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**58,495**	395,808	205,614	213,889	383,086