



中國鼎益豐控股有限公司

CHINA DING YI FENG HOLDINGS LIMITED

(formerly known as China Investment Fund International Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 00612

2018 Annual Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Luk Hong Man, Hammond
(Chief Executive Officer & Financial Controller)
Mr. Zhang Xi *(Chief Investment Officer)*

Non-executive Directors

Mr. Sui Guangyi *(Chairman)*
Mr. Wang Mengtao *(Vice-president of the Group)*
Mr. Leung Ka Fai
Ms. Ma Xiaoqiu

Independent Non-executive Directors

Ms. Jing Siyuan
Mr. Zhang Aimin
Mr. Zhang Qiang

COMPANY SECRETARY

Ms. Hong Lai Ping

AUDIT COMMITTEE

Ms. Jing Siyuan *(Chairman)*
Mr. Zhang Aimin
Mr. Zhang Qiang

REMUNERATION COMMITTEE

Mr. Zhang Aimin *(Chairman)*
Ms. Jing Siyuan
Mr. Zhang Xi

NOMINATION COMMITTEE

Ms. Jing Siyuan *(Chairman)*
Mr. Zhang Aimin
Mr. Luk Hong Man, Hammond

RISK MANAGEMENT COMMITTEE

Mr. Zhang Aimin *(Chairman)*
Ms. Jing Siyuan
Mr. Luk Hong Man, Hammond
Mr. Yang Ja Wah (non-Board member)

INVESTOR RELATIONS COMMITTEE

Mr. Zhang Qiang *(Chairman)*
Mr. Sui Guangyi
Mr. Wang Mengtao
Mr. Leung Ka Fai

CUSTODIAN

DBS Bank Ltd. Hong Kong Branch
18/F, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
G/F, The Center
99 Queen's Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITOR

HLM CPA Limited
Certified Public Accountants
Room 305
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6602-03, Level 66
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

STOCK CODE

00612 (Listed on the Main Board of The Stock Exchange of
Hong Kong Limited)

WEBSITE

www.dyf.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to present the annual report of China Ding Yi Feng Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2018.

BUSINESS REVIEW

The Group is principally engaged in investment in listed and unlisted securities.

From the beginning of 2018, the Donald Trump Administration triggered a trade war with the rest of the world by imposing tariffs on imported washing machines and solar panels in January and then on imported steel and aluminium in March. A trade war between the US and China broke out in July, after the US imposed tariffs on US\$50 billion, which quickly jumped to US\$250 billion, worth of Chinese goods. China immediately retaliated with similar tariff levels on US products. The trade war has greatly destabilised the global economy. In addition, the US left the Iran Nuclear Deal and threatened to sanction any firm that does business with Iran, which could make the global crude oil market highly volatile. Given such precarious investment environment, the Directors have taken prudent strategies to manage our portfolio.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded a net gain of approximately HK\$128,556,000 (2017: a net loss of approximately HK\$155,077,000). The turnaround of the result with a profit for the year as compared to a loss in the previous year was primarily due to:

- an increase in dividend income from the Group’s investments and realised gain on disposal of equity instruments at fair value through other comprehensive income (“FVTOCI”). This was attributable to the Group’s investment in China Investment Holdings Limited (“CIHL”), a company incorporated in Cayman Islands and principally engaged in financial and management services outside Hong Kong, comprising 15% shareholding in the form of class A shares carrying dividend entitlement compared to that of class B shares in the ratio of 85:15. During the year ended 31 December 2018, the Company received a total of HK\$36,328,872 in dividend income which had been declared and approved by CIHL in March 2018 and June 2018. Based on the unaudited financial information of CIHL received by the Group, during the period from its incorporation in July 2017 to October 2018, CIHL had net profits of approximately HK\$53,000,000. In view of the escalating trade conflict between the U.S. and China causing uncertainty in the global financial markets, the Group disposed of its 15% shareholding in CIHL to an independent third party in December 2018 for a consideration of HK\$15,000,000 and resulted in a realised gain on disposal of equity instruments at FVTOCI. The consideration was arrived at after arms-length negotiations taking into account factors including the unlisted nature of the shares and that the disposal would yield a significant gain from the original investment.
- an increase in net realised gain on disposal of financial assets at fair value through profit or loss (“FVTPL”) by approximately HK\$21,459,000 from approximately HK\$2,202,000 to approximately HK\$23,661,000 which was mainly attributable to the Group’s investments in listed securities.
- an unrealised gain on financial assets at FVTPL of approximately HK\$128,200,000 (2017: net unrealised loss on financial assets at FVTPL of approximately HK\$41,183,000) which was mainly attributable to the revaluation gain of listed securities.
- a net gain on disposals of subsidiaries of approximately HK\$67,214,000 (2017: a net loss on disposals of subsidiaries of approximately HK\$10,478,000).

MANAGEMENT DISCUSSION AND ANALYSIS

SECURITIES INVESTMENTS

The Board exercised caution while actively managing its investment portfolio in accordance with the Company's investment objective and policy for the best interests for our shareholders.

Investment in listed securities

As at 31 December 2018, the Group held listed securities classified under financial assets at FVTPL of approximately HK\$226,127,000 (2017: approximately HK\$34,309,000).

Investment in unlisted securities

As at 31 December 2018, the Group's investment in unlisted securities classified under equity instrument at FVTOCI consisted of 15% shareholding in China Investment Fund International Securities Limited ("CIFIS") of approximately HK\$2,302,000. CIFIS is incorporated in Hong Kong and principally engaged in the securities business. In 2017, the Group held available-for-sale financial assets of approximately HK\$43,175,000, which were disposed of during the year 2018.

INVESTMENT PORTFOLIO

We divide our strategy into three categories, namely long-term holding investment, mid-term private equity and venture capital and short-term trading of securities and other financial instruments. The main two sectors of our investments during the year 2018 were e-commerce & internet services and finance industry.

Details of all investments of the Group as at 31 December 2018 are summarised as below:

At 31 December 2018

Listed Securities

Name of investee companies	Place of incorporation	Particulars of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Accumulated unrealised gain/(loss) recognised HK\$	Dividend received/receivable during the year HK\$	% of gross assets of the Company
<i>Listed equity securities in Hong Kong</i>								
Smartac Group China Holdings Limited	Cayman Islands	197,000,000	3.50%	40,310,886	177,300,000	136,989,114	-	21.68%
The Hong Kong and China Gas Company Limited	Hong Kong	620,000	Less than 0.01%	9,958,940	10,044,000	85,060	-	1.23%
Hong Kong Exchanges and Clearing Limited	Hong Kong	88,000	Less than 0.01%	19,874,840	19,940,800	65,960	-	2.44%
Tencent Holdings Limited	Cayman Islands	30,000	Less than 0.01%	8,967,960	9,420,000	452,040	-	1.15%
				79,112,626	216,704,800	137,592,174		
<i>Listed equity securities in The People's Republic of China ("PRC")</i>								
Irico Display Devices Co., Ltd.	PRC	1,880,000	0.05%	18,797,786	9,422,099	(9,375,687)	-	1.15%
				97,910,412	226,126,899	128,216,487		

For a brief description of the business and financial information of the listed investee companies as extracted from their latest published annual reports, please refer to note 19(i) to the Consolidated Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Unlisted Securities

Name of investee company	Place of incorporation	Proportion of investee's capital owned	Cost HK\$	Fair value HK\$	Accumulated fair value adjustment HK\$	Net assets attributable to the Company HK\$'000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
China Investment Fund International Securities Limited ("CIFIS")	Hong Kong	15%	1,764,706	2,302,207	537,501	1,271	–	0.28%

At 31 December 2017

Listed Securities

Name of investee companies	Place of incorporation	Particulars of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Accumulated unrealised gain/(loss) recognised HK\$	Dividend received/receivable during the year HK\$	% of gross assets of the Company
<i>Listed equity securities in Hong Kong</i>								
Zhidao International (Holdings) Limited	Cayman Islands	30,360,000	1.53%	38,248,211	14,724,600	(23,523,611)	–	5.21%
<i>Listed equity securities in PRC</i>								
Irico Display Devices Co., Ltd.	PRC	270,000	0.04%	2,320,906	2,337,334	16,428	–	0.83%
Tianma Bearing Group Co., Ltd.	PRC	800,022	0.07%	10,309,315	7,945,751	(2,363,564)	–	2.81%
Youngy Co., Ltd	PRC	240,000	0.13%	12,639,198	9,301,607	(3,337,591)	–	3.29%
				25,269,419	19,584,692	(5,684,727)		
				63,517,630	34,309,292	(29,208,338)		

Unlisted Securities

Name of investee companies	Place of incorporation	Proportion of investee's capital owned	Cost HK\$	Fair value HK\$	Accumulated unrealised loss recognised HK\$	Dividend received/receivable during the year HK\$	% of gross assets of the Company
Galaxy Automotive MS Inc.	Republic of Vanuatu	29%	27,975,000	7,190,000	(20,785,000)	–	2.55%
Mountain Gold Holdings Inc.	Republic of Vanuatu	6.4%	50,000,000	35,835,299	(14,164,701)	–	12.69%
			77,975,000	43,025,299	(34,949,701)		

MANAGEMENT DISCUSSION AND ANALYSIS

Name of investee companies	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$	Carrying amount HK\$	Accumulated impairment loss recognised HK\$
China Investment Holdings Limited	Cayman Islands	15 (Class A)	15.00%	149,939	149,939	–

Unlisted option contracts

Name of unlisted option contracts	Cost HK\$	Fair value HK\$	Accumulated unrealised loss recognised HK\$	% of gross assets of the Company
Unlisted option contract (399006.SZ)	11,581,386	4,748,815	(6,832,571)	1.68%
Unlisted option contract (159915.SZ)	3,357,432	1,376,777	(1,980,655)	0.49%
	14,938,818	6,125,592	(8,813,226)	

Performance of the Group's investments in listed and unlisted securities during the year ended 31 December 2018.

The performance of the Group's investments in listed securities during the year ended 31 December 2018 may be gauged by quoted prices of such listed securities during the year which are set out below:

Name of investee companies	Stock code	Highest closing price in 2018	Lowest closing price in 2018	Average price at which investments made	Highest price after investment made	Lowest price after investment made	Closing price as at 31 December 2018
The Hong Kong and China Gas Company Limited	0003.HK	HK\$17.38	HK\$14.60	HK\$16.06	HK\$16.30	HK\$15.94	HK\$16.20
Hong Kong Exchanges and Clearing Limited	0388.HK	HK\$306.00	HK\$195.60	HK\$225.85	HK\$231.20	HK\$223.80	HK\$226.60
Smartac Group China Holdings Limited	0395.HK	HK\$1.07	HK\$0.09	HK\$0.16	HK\$1.07	HK\$0.12	HK\$0.90
Tencent Holdings Limited	0700.HK	HK\$476.60	HK\$251.40	HK\$298.93	HK\$318.60	HK\$297.00	HK\$314.00
Irico Display Devices Co., Ltd.	600707.SH	RMB8.99	RMB4.00	RMB8.25	RMB8.99	RMB4.00	RMB4.13

The Group's investment strategy for its portfolio of listed securities takes into account a whole host of factors including short, medium and long term prospects of each listed security; how each listed security fits into the Group's portfolio in terms of its sector performance and prospects of the relevant sector; market sentiment of each sector; the need to balance risks of the portfolio; and other changing microeconomic and macroeconomic considerations. During 2018, the Group reviewed its portfolio of listed securities from time to time. The Group will continue to carry out review from time to time having regard to the above factors and other prevailing factors.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group invested in Tencent Holdings Limited (0700.HK) and Hong Kong Exchanges and Clearing Limited (0388.HK) having considered that, at the relevant entry times, the market displayed short to medium term bullishness which would be generally be quickly reflected in the performance of blue chips, especially heavy weight blue chips, which tended to lead and out-perform the general market. The Hong Kong and China Gas Company Limited (0003.HK) was included to balance the risk of the portfolio. Following a review of the above listed securities having regard to the Group's investment strategy and prevailing factors, the Group disposed of the above listed securities in early of 2019.

The Group invested in Smartac Group China Holdings Limited (0395.HK) and Irico Display Devices Co., Ltd. (600707.SH) in view of the positive prospects of the hi-tech and internet related sectors, the relatively longer time frame for the value of small-cap stocks to be reflected in their prices, and that valuation of the PRC stock markets at the relevant times had been undervalued. As at the Latest Practicable Date (as such term is defined on page 10), the Group remains positive over the above listed securities investment.

There is no active market for the Group's investment in unlisted securities during the year ended 31 December 2018. Such investment comprised 15% shareholding in China Investment Fund International Securities Limited. The investment was made having considered the significant growth of the Hong Kong securities market in recent years, and the positive prospects of the Hong Kong securities market in the backdrop of the Mainland market and national policy. During the year 2018, the Group monitored such investment from time to time. The Group believes that the investment was in line with expectation as of 31 December 2018. As at the Latest Practicable Date, the Group remains positive over the above unlisted security investment.

DIVIDEND

During the board meeting held on 28 February 2019, the Board recommended a final dividend of HK\$0.02 per share for the year ended 31 December 2018 to the shareholders. Subject to the approval of the shareholders at the forthcoming annual general meeting and subject to further disclosure as appropriate in respect of the book closure date, record date and payment date, the proposed 2018 final dividend is expected to be distributed to the shareholders on or before 31 May 2019. There will be no scrip dividend option for the 2018 final dividend. The proposed dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2018.

Going forward

Given the fluctuation in the worldwide financial markets, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. The Board will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

SUMMARY OF MATERIAL LEGAL PROCEEDINGS INVOLVING THE COMPANY

High Court Action 796 of 2016

A Writ of Summons with an Indorsement of Claim dated 29 March 2016 has been issued in the High Court of Hong Kong in High Court action 796 of 2016 by Yang Yan as plaintiff against the Company and Grand Dragon Investment Development Limited ("Grand Dragon") as defendants whereby the plaintiff is claiming against the defendants for the forfeiture of deposit for HK\$10,000,000 paid by the defendants in relation to the defendants' failure to commence the process of due diligence of the target Company, despite repeated requests, and thus has wrongfully repudiated the agreement. Grand Dragon was disposed of in March 2018 and is no longer part of the Group. The Company and Grand Dragon have counterclaimed against the plaintiff (which action has been consolidated with HCA 796 of 2016) for, *inter alia*, an order for the return of the payment of HK\$10,000,000 to the defendants. The parties have recently agreed the procedural timetable for the matter to proceed to trial, and the parties will exchange Lists of Documents shortly. The Company intends to continue to strenuously defend the above proceedings.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK\$304,217,000 as at 31 December 2018 (2017: approximately HK\$138,447,000), representing approximately 37.2% (2017: approximately 49.0%) of the Group's total assets. As at 31 December 2018, the Group had long-term debts which are unsecured interest-bearing loan notes and unsecured interest-bearing bonds in an aggregate amount of approximately HK\$200,345,000 (2017: approximately HK\$107,612,000).

Apart from the long-term debts, the Group had short-term debts consisting of unsecured interest-bearing bonds and unsecured interest-bearing loans at approximately HK\$210,945,000 (2017: approximately HK\$122,790,000).

The Group's gearing ratio, being the total debts divided by equity attributable to owners of the Company, was approximately 111.5% as at 31 December 2018 (2017: approximately 505.8%).

COMMITMENTS

There were no capital commitments as at 31 December 2018 (2017: Nil).

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2018, there were no charges on the Group's assets and the Group did not have any material contingent liabilities (2017: Nil).

FOREIGN EXCHANGE EXPOSURE

Most of the business transactions of the Group are denominated in Hong Kong dollars, US dollars ("USD") and Renminbi ("RMB"). The management of the Group will closely monitor fluctuations in these currencies and take appropriate actions when needed. As at 31 December 2018, the Group did not engage in currency hedging nor did it adopt any formal hedging activities. For the year ended 31 December 2018, the Group had financial assets of HK\$16,892,246 (2017: HK\$26,393,492) which was denominated in RMB and financial assets of HK\$42,894,414 (2017: HK\$4,671) which was denominated in USD. The Group currently does not have any foreign currency hedging currency policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Except for disclosed in note 34 to the consolidated financial statements, there was no other material acquisition or disposal of subsidiaries by the Group.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year, the movement in the Company's share capital is as follow:

On 27 September 2018, 19,000,000 shares were issued by the Company as a result of a placing agreement dated 7 September 2018. Shares were issued at a price of HK\$10.525 per share giving gross proceeds of approximately HK\$199,975,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Approximately 38% of the gross proceeds or HK\$75.8 million were utilized from the end of September to December 2018 to invest in listed securities, namely, Smartac Group China Holdings Limited (0395.HK) in the amount of HK\$36.9 million, The Hong Kong and China Gas Company Limited (0003.HK) in the amount of HK\$10 million, Hong Kong Exchanges and Clearing Limited (0388.HK) in the amount of HK\$19.9 million and Tencent Holdings Limited (0700.HK) in the amount of HK\$9 million. Approximately 15% of the gross proceeds or HK\$29.3 million were utilized from the end of September to the end of December 2018 for general working capital purposes. It is expected that the balance, that is, approximately 47% of the gross proceeds or HK\$94.9 million, would be used for investing in listed securities and for working capital purposes during 2019.

In the prior financial year, the Company obtained gross proceeds of approximately HK\$62 million further to the completion of the open offer as set out in the announcement of the Company dated 12 June 2017 (“Open Offer”).

Approximately 41% of the gross proceeds or HK\$25.4 million from the Open Offer were used to invest in listed securities (namely China Baoli Technology Holdings Limited (164.HK) in the amount of HK\$3 million and Tianma Bearing Group Co. Ltd. (002122.SH) in the amount equivalent to HK\$10.3 million) and futures contracts (in the amount of HK\$12.1 million) from the end of June 2017 to December 2017. Approximately 39% from the Open Offer or HK\$24 million were used for general working capital purposes from the end of June 2017 to December 2017. The balance, that is, approximately 20% of the gross proceeds or HK\$12.6 million, was used to invest in listed securities, namely, Irico Display Devices Co., Ltd. (600707.SH) in the first half of 2018.

PROSPECTS

Although the US and China declared a 90-day halt on the new tariffs in November, the impact of the trade war on global economy is obvious. The IMF lowered its projected global economic growth rate to 3.7% for both 2018 and 2019. China’s GDP growth rate declined from 6.8% in the first quarter of 2018 to 6.4% in the fourth quarter. The Federal Reserve is still expected to hike interest rate two times in 2019, which could tighten the dollar liquidity furthermore. Under such highly uncertain economic environment, the Directors will take prudent strategies to manage our investment portfolio.

COMPLIANCE WITH THE APPLICABLE LAW AND REGULATIONS

In relation to human resources, during 2018 the Company has in all material respects complied with the requirements of the ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group.

On the corporate level, during 2018 the Group has in all material respects complied with the applicable requirements under the Companies Law (Revised) under the laws of the Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange, the Companies Ordinance and the Securities and Futures Ordinance under the laws of Hong Kong.

EMPLOYEES

As at 31 December 2018, the Company had 31 employees (2017: 30), including executive Directors, non-executive Directors and independent non-executive Directors. The Group’s remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. During the year, the Group has generally maintained good relationship with its employees.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE CODE

For the year ended 31 December 2018, the Company has complied with the code provision of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Thursday, 9 May 2019 to Wednesday, 15 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting (“AGM”) to be held on Wednesday, 15 May 2019, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 8 May 2019.

EVENTS AFTER THE REPORTING PERIOD

On 8 March 2019, the Securities & Futures Commission (“SFC”) directed the Stock Exchange to suspend trading in the shares of the Company with effect from 9 a.m. on 8 March 2019.

On 18 March 2019, the Company announced that:

- on 8 March 2019, the SFC informed the Company its decision to exercise its power under section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571V) (“SF(SML)R”) to direct the Stock Exchange to suspend trading in the shares of the Company
- on 8 March 2019, the SFC visited the premises of the Company with a search warrant for the purpose of obtaining documents and information in relation to an investigation and seized certain documents
- there have been no charges laid or arrests made in connection with the execution of the search warrant

Trading in the shares of the Company remained suspended as at 1 April 2019, the latest practicable date prior to the printing of this annual report for ascertaining certain information contained herein (“Latest Practicable Date”).

Based on the Board’s preliminary assessment, the Board confirms that, as at the Latest Practicable Date, the Group’s operations have not been materially adversely affected. The Board also confirms that it is considering the appropriate steps to take for the purpose of resuming trading in the Company’s shares and preserving the operations and business of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Luk Hong Man, Hammond (“Mr. Luk”), aged 38, was first appointed an executive Director in July 2011. Mr. Luk is currently the Chief Executive Officer and the Financial Controller of the Group. Mr. Luk is a member of the Chartered Professional Accountants of Canada. Mr. Luk is also a fellow member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors and the Association of Chartered Certified Accountants respectively. Mr. Luk has a degree of bachelor of laws from the University of London and a degree of bachelor of commerce from the University of Alberta. Mr. Luk has over 15 years of experience in management accounting, financial control, internal audit and compliance with different companies in Canada and Hong Kong including the Group. Through joining the Group in July 2011 as an executive Director and financial controller and taking up additional duties as chief executive officer and a member of the risk management committee in April 2016, Mr. Luk has gained experience in investment management and corporate governance. Prior to joining the Group in July 2011, Mr. Luk had worked as an executive director and compliance officer in Media Asia Group Holdings Limited (stock code: 8075) and an executive officer in charge of the accounting and finance department in China Public Procurement Limited (stock code: 1094).

Mr. Zhang Xi (“Mr. Zhang”), aged 49, has been an executive Director since February 2013. Mr. Zhang is currently the Chief Investment Officer of the Group. He has over 17 years of experience in the financial sector. He is currently a Chartered Financial Analyst (CFA) charterholder. Mr. Zhang graduated with a bachelor’s degree in science (electrical engineering) from Shanghai Jiao Tong University in July 1991. Mr. Zhang obtained an International Master’s degree of Business Administration from York University in Canada in 1998. Mr. Zhang has been an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075) since September 2009 and was an independent non-executive director of Asia Energy Logistics Group Limited (stock code: 351) from March 2006 to July 2016.

NON-EXECUTIVE DIRECTORS

Mr. Sui Guangyi (“Mr. Sui”), aged 56, has been a non-executive Director since September 2015. Mr. Sui is currently the Chairman of the Group. Mr. Sui is a legal representative and a director of Shenzhen Ding Yi Feng Assets Management Co., Ltd. (深圳市鼎益豐資產管理股份有限公司), the director of HK DYF Int’l Holding Group Limited, and a director of Singapore DYF Int’l Capital Management Pte. Ltd. Shenzhen Ding Yi Feng Assets Management Co., Ltd. (深圳市鼎益豐資產管理股份有限公司) and HK DYF Int’l Holding Group Limited are substantial shareholders of the Company.

Ms. Ma Xiaoqiu (“Ms. Ma”), aged 58, has been a non-executive Director since June 2017. Ms. Ma has since January 2011 served as a president and a director of Shenzhen Ding Yi Feng Asset Management Co., Ltd. (深圳市鼎益豐資產管理股份有限公司), a substantial shareholder of the Company.

Mr. Wang Mengtao (“Mr. Wang”), aged 44, has been a non-executive Director since October 2016. Mr. Wang is currently the Vice-president of the Group. He is also a director of Shenzhen Zhi Chong Culture Broadcast Co., Ltd. (深圳知崇文化傳播有限公司). Shenzhen Zhi Chong Culture Broadcast Co., Ltd. (深圳知崇文化傳播有限公司) is a non-wholly-owned subsidiary of Shenzhen Ding Yi Feng Assets Management Co., Ltd. (深圳市鼎益豐資產管理股份有限公司), a substantial shareholder of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Leung Ka Fai (“Mr. Leung”), aged 40, has been a non-executive Director since October 2016. Mr. Leung has been an independent non-executive Director of Progressive Path Group Holdings Limited (stock code: 1581) since 15 November 2016. Mr. Leung was an independent non-executive Director of Rui Kang Pharmaceutical Group Investments Limited (Stock Code: 8037) from 26 June 2013 to 5 December 2017. Mr. Leung was employed by a law firm in Hong Kong as community service manager. He also worked in Beta Field Capital Limited as a business director from December 2011 to February 2012 and he has worked as the China Business director in Beta Field Capital Limited from April 2013 to September 2015. Mr. Leung has been a district council member of Sha Tin District Council since 2008. Mr. Leung has also been a committee member of Yunfu City of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議雲浮市委員會) in the PRC since January 2013. Mr. Leung is currently a vice-president of Sha Tin East District in New Territories East Region of District Scout Council of Scout Association of Hong Kong (香港童軍總會新界東地域沙田東區區務委員會). Mr. Leung has been a director of Hong Kong Association For The Development of Western China Limited (香港中國西部發展促進會有限公司) since 2011. Mr. Leung obtained a Master of Arts degree in Chinese Language and Literature from The Hong Kong Polytechnic University in October 2008, a Postgraduate Diploma in Education (Teaching in Chinese) from Hong Kong Baptist University in November 2012 and a Master of Arts degree in Sociology from The Chinese University of Hong Kong in November 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Jing Siyuan (“Ms. Jing”), aged 42, has been an independent non-executive Director since May 2016. Ms. Jing has been working as general manager in Shenzhen An Ping Tai Management Consulting Co., Ltd. (深圳市安平泰企業管理諮詢有限公司) since July 2015. Ms. Jing has been working as an internal control and financial consultant in Shenzhen Fronter Electronics Co., Ltd. (深圳市福浪電子有限公司), Shenzhen Hi-Chipcom Electronics Co., Ltd. (深圳市海芝通股份有限公司), a company whose shares are listed on The National Equities Exchange and Quotations (company code: 837413) and Shenzhen Zhi Ling Wei Ye Technology Co., Ltd. (深圳志凌偉業股份有限公司), a company whose shares are listed on The National Equities Exchange and Quotations (company code: 834148) from August 2015 to August 2016. Ms. Jing graduated from Oxford Brookes University in the United Kingdom with a Bachelor of Science (Applied Accounting) in July 2008. She graduated from Henan University in the PRC with a diploma in Chinese language and literature education in July 2001. Ms. Jing was admitted as a member of the Association of Chartered Certified Accountants (“ACCA”) in October 2013. She obtained the certificate of qualified secretary of board of directors from the Shenzhen Stock Exchange in April 2013. Ms. Jing qualified as an Accounting Technician of the ACCA in May 2004.

Mr. Zhang Aimin (“Mr. Zhang AM”), aged 41, has been an independent non-executive Director since July 2016. Mr. Zhang AM is a director and chief executive officer of Zhejiang Xinyuan Education Consulting Limited (浙江心元教育諮詢有限公司), a company principally engaged in the business of providing education consultancy and training related services. Mr. Zhang AM has over 8 years experience in the education consultation fields. Mr. Zhang AM obtained a master of business administration from China Europe International Business School in September 2010 and a bachelor’s degree in international trade and economics from Beijing University in July 1999.

Mr. Zhang Qiang (“Mr. Zhang Q”), aged 33, has been an independent non-executive Director since November 2016. Mr. Zhang Q is a practising lawyer qualified in the People’s Republic of China and has over 7 years experience in the practice of law in China. Mr. Zhang Q obtained his licence to practise law in China in February 2009 and a bachelor’s degree in law from Heilongjiang University in June 2007. Mr. Zhang Q also obtained a master’s degree in law from Renmin University of China in January 2018.

REPORT OF THE DIRECTORS

The Directors of the Company (the “Directors”) are pleased to present their annual report and the audited financial statements for the year ended 31 December 2018.

BUSINESS REVIEW AND PERFORMANCE

A review and outlook of the business of the Company and a discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis from pages 3 to 10 of this annual report.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 58 to 119. The Directors recommend the payment of a final dividend of HK\$0.02 per share for the year.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 24 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out in note 25 to the consolidated financial statements. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum (“Memorandum”) and Articles of Association (“Articles”) and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the applicable law of the Cayman Islands. There were no reserves available for distribution in both years ended 31 December 2018 and 2017.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire revenue is derived from the Group's investments in listed and unlisted securities and financial institutions and thus the disclosure of customers and suppliers information would not be meaningful.

DIRECTORS

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

Executive Directors

Mr. Luk Hong Man, Hammond

Mr. Zhang Xi

Non-executive Directors

Mr. Sui Guangyi

Mr. Wang Mengtao

Mr. Leung Ka Fai

Ms. Ma Xiaoqiu

Independent non-executive Directors

Ms. Jing Siyuan

Mr. Zhang Aimin

Mr. Zhang Qiang

At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of each Director and the chief executive of the Company in the shares and the underlying shares of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in shares as at 31 December 2018

Name of Director	Capacity	Notes	Number of shares	Approximate percentage of shareholding
Sui Guangyi ("Mr. Sui")	Beneficial owner		149,582,400	12.10%
Mr. Sui	Interest of controlled corporation	(1)	198,030,400	16.01%
Ma Xiaoqiu	Beneficial owner		10,520,000	0.85%

(ii) Long positions in underlying shares as at 31 December 2018

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Luk Hong Man, Hammond	Beneficial owner	(2)	6,076,597	0.49%
Zhang Xi	Beneficial owner	(2)	6,076,597	0.49%
Wang Mengtao	Beneficial owner	(3)	3,000,000	0.24%
Leung Ka Fai	Beneficial owner	(3)	3,000,000	0.24%
Jing Siyuan	Beneficial owner	(3)	800,000	0.06%
Zhang Aimin	Beneficial owner	(3)	800,000	0.06%
Zhang Qiang	Beneficial owner	(3)	800,000	0.06%
Ma Xiaoqiu	Beneficial owner	(4)	1,200,000	0.10%

Notes:

- (1) These shares are held by HK DYF Int'l Holding Group Limited, which is held as to 74.55% by Shenzhen Ding Yi Feng Assets Management Co., Ltd. which is in turn held as to 29.39% by Mr. Sui. Mr. Sui is deemed to be interested in these shares by virtue of the SFO.
- (2) 776,597 share options are at an exercise price of HK\$0.729 per share of the Company with exercise period from 17 June 2015 to 16 June 2025. 5,300,000 share options are at an exercise price of HK\$0.808 per share of the Company with exercise period from 16 November 2016 to 15 November 2026.
- (3) These share options are at an exercise price of HK\$0.808 per share of the Company with exercise period from 16 November 2016 to 15 November 2026.

REPORT OF THE DIRECTORS

- (4) These share options are at an exercise price of HK\$2.25 per share of the Company with exercise period from 30 August 2017 to 29 August 2027.

Save as disclosed above, as at 31 December 2018, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 26 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

As at 31 December 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than being a Director or chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long position

Name	Number of shares	Type of interest	Approximately percentage of total issued share capital of the Company
HK DYF Int'l Holding Group Limited	198,030,400	Beneficial owner	16.01%
Shenzhen Ding Yi Feng Assets Management Co., Ltd. (Note 1)	198,030,400	Interest of controlled corporation	16.01%
Mr. Sui (Note 2)	347,612,800	Beneficial owner and interest of controlled corporation	28.11%

Note 1: Shenzhen Ding Yi Feng Assets Management Co., Ltd. is deemed to be interested in 198,030,400 shares through its controlling interest (74.55%) in HK DYF Int'l Holding Group Limited.

Note 2: 198,030,400 of these shares are held by HK DYF Int'l Holding Group Limited, which is held as to 74.55% by Shenzhen Ding Yi Feng Assets Management Co., Ltd., which is in turn held as to 29.39% by Mr. Sui. Mr. Sui is deemed to be interested in these shares by virtue of the SFO.

REPORT OF THE DIRECTORS

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

CONNECTED TRANSACTION AND DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

Details are set out in note 28 to the consolidated financial statements.

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2018, the Directors were not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Audit Committee currently comprises solely of independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit Committee comply with the requirement under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2018.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out in the Corporate Governance Report on pages 20 to 28 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company of those who served as Director during the year ended 31 December 2018, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

The Articles provide that the Directors are entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which they may sustain or incur in their respective offices. During the year, appropriate directors' and officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and officers of the Company.

REPORT OF THE DIRECTORS

FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 120.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 were audited by HLM CPA Limited who will retire and seek for re-election at the forthcoming AGM.

On behalf of the Board

China Ding Yi Feng Holdings Limited

Sui Guangyi

Chairman

Hong Kong, 28 February 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the “CG Code”), as set out in Appendix 14 to the Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the CG Code. We have, throughout the year ended 31 December 2018, complied with the code provisions of the CG Code as and when they were/are applicable and in force.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

Composition and role

Executive Directors

Mr. Zhang Xi

Mr. Luk Hong Man, Hammond

Non-executive Directors

Mr. Sui Guangyi

Mr. Wang Mengtao

Mr. Leung Ka Fai

Ms. Ma Xiaoqiu

Independent non-executive Directors

Ms. Jing Siyuan

Mr. Zhang Aimin

Mr. Zhang Qiang

CORPORATE GOVERNANCE REPORT

There is no relationship between members of the Board.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director's appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

The Board comprises of two executive Directors, four non-executive Directors and three independent non-executive Directors. The biographical details of all Directors are presented on pages 11 and 12 of this annual report. At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

An independent non-executive Director, Ms. Jing Siyuan possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

During the year 2018, the Board maintained the Audit Committee, the Remuneration Committee and the Nomination Committee as required by the applicable rules. In April 2016, in order to strengthen the governance of the Company, the Board set up the Risk Management Committee and the Investor Relations Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from all the independent non-executive Directors an annual confirmation of independence, and accordingly the Company considers them to be independent.

CORPORATE GOVERNANCE REPORT

Board meetings and Directors' Attendance

The Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM and board meeting held in 2018 are set out in the following table:

Name of Directors	Meeting attended/held	
	Board meeting	AGM held on 30 April 2018
Executive Directors		
Mr. Zhang Xi	5/5	1/1
Mr. Luk Hong Man, Hammond	5/5	1/1
Non-executive Directors		
Mr. Sui Guangyi	5/5	1/1
Mr. Wang Mengtao	5/5	1/1
Mr. Leung Ka Fai	5/5	1/1
Ms. Ma Xiaoqiu	5/5	1/1
Independent Non-executive Directors		
Ms. Jing Siyuan	5/5	1/1
Mr. Zhang Aimin	5/5	1/1
Mr. Zhang Qiang	5/5	1/1

Directors' Training and Professional Development

During the year, all Directors participated in continuous professional development to develop and refresh their knowledge and skill by way of attending seminars, briefings or training courses and reading the relevant materials.

In addition, every newly appointed Director will receive an introduction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under the Listing Rules and relevant regulatory requirements.

CORPORATE GOVERNANCE REPORT

According to the records maintained by the Company, the training received by the Directors in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2018 to 31 December 2018 are set out below:

Name of Directors	Reading materials	Attending seminars/ briefings/ training courses
Executive Directors		
Mr. Zhang Xi	✓	✓
Mr. Luk Hong Man, Hammond	✓	✓
Non-executive Directors		
Mr. Sui Guangyi	✓	✓
Mr. Wang Mengtao	✓	✓
Mr. Leung Ka Fai	✓	✓
Ms. Ma Xiaoqiu	✓	✓
Independent Non-executive Directors		
Ms. Jing Siyuan	✓	✓
Mr. Zhang Aimin	✓	✓
Mr. Zhang Qiang	✓	✓

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is responsible for the leadership and effective running of the Board. The Chief Executive is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

The Board has appointed Mr. Sui Guangyi as chairman with effect from 2 October 2015 while the role of chief executive remained vacant until 22 April 2016 and was assumed by Mr. Luk Hong Man, Hammond when the Board appointed him as chief executive officer with effect from that date.

CORPORATE GOVERNANCE REPORT

Appointments, Re-election and Removal

In accordance with Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive Directors have been appointed for a specific term of 3 years but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

In accordance with our Articles, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

Pursuant to Rule 3.21, Rule 3.25 and Corporate Governance Code A.5.1, during 2018 the Board has maintained the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing relevant aspects of the affairs of our Company. These committees are established with written terms of reference are available on our website and on the website of The Stock Exchange of Hong Kong Limited.

Audit Committee

The Audit Committee currently comprises solely of independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management of the Company including a review of the consolidated financial statements of the Group for the year ended 31 December 2018.

The Group's 2018 audited financial statements had been duly reviewed by the Audit Committee with the auditor and in relation to which the members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of HLM CPA Limited ("HLM") as the auditor of the Company and therefore recommends to the Board that HLM be reappointed as the auditor of the Company, which will be put forward for Shareholders approve the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2018 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

HLM was appointed as auditor of the Company until conclusion of the AGM. During the year, the remuneration in respect of audit services provided by the auditor are as follows:

Audit services HK\$765,000

The Audit Committee held two meetings during 2018. The Committee recommended to the Board the re-appointment of HLM to act as the auditor of the Company and its subsidiaries and reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management, including a review of the consolidated financial statements for the period ended 30 June 2018 and for the year ended 31 December 2018.

The attendance of the Audit Committee meetings held during 2018 of those persons who were members of the committee in 2018 is as follows:

Audit Committee members	Meetings attended/held
Independent non-executive Directors	
Ms. Jing Siyuan, <i>Chairman</i>	2/2
Mr. Zhang Aimin	2/2
Mr. Zhang Qiang	2/2

Remuneration Committee

The Remuneration Committee currently comprises of executive Director, Mr. Zhang Xi and two independent non-executive Directors, namely, Mr. Zhang Aimin (chairman) and Ms. Jing Siyuan.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management of the Company and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

The Remuneration Committee held one meeting during 2018 to discuss the remuneration package of Directors and make recommendation to the Board on the amount of discretionary bonus for the Directors and senior management.

CORPORATE GOVERNANCE REPORT

The attendance of the Remuneration Committee meeting held during 2018 of those persons who were members of the committee in 2018 is as follows:

Remuneration Committee members	Meetings attended/held
Executive Director	
Mr. Zhang Xi	1/1
Independent non-executive Directors	
Mr. Zhang Aimin, <i>Chairman</i>	1/1
Ms. Jing Siyuan	1/1

Nomination Committee

The Nomination Committee currently comprises of one executive Director, Mr. Luk Hong Man, Hammond and two independent non-executive Directors, namely, Ms. Jing Siyuan (chairman) and Mr. Zhang Aimin.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the Board diversity policy and the Company has adopted the Board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity in Board members. Selection of Board members will be based on a range of diversified perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, or professional experience. All Board appointments will be based on merit and the needs of the Company's business while taking into account diversity. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

The Nomination Committee held one meeting during 2018 to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and review and discuss the Board diversity policy.

CORPORATE GOVERNANCE REPORT

The attendance of the Nomination Committee meeting held during 2018 of those persons who were members of the committee in 2018 is as follows:

Nomination Committee members	Meeting attended/held
Executive Director	
Mr. Luk Hong Man, Hammond	1/1
Independent non-executive Directors	
Ms. Jing Siyuan, <i>Chairman</i>	1/1
Mr. Zhang Aimin	1/1

INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the Directors and reviews conducted by the Audit Committee. The Board believes that the existing internal control system is adequate and effective.

COMPANY SECRETARY

Ms. Hong Lai Ping was appointed as the Company Secretary of the Company on 5 February 2010. The Company Secretary reports to the Directors of the Company and is responsible for advising the Board on governance matters. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken not less than 15 hours of relevant professional training during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the consolidated financial statements should be distributed to the shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2018, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Procedures for convening an extraordinary general meeting and putting forward proposals at general meeting

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 at the Units 6602-03, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, 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 (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the 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.

There are no provisions under the Company's Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

ENQUIRIES TO THE BOARD

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary of the Company and the contact details are as follows:

Company Secretary

China Ding Yi Feng Holdings Limited

Units 6602-03, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

Email: info@dyf.com.hk

Tel. No.: (852) 2838 9806

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CONSTITUTIONAL DOCUMENTS

Article 111 of the Articles in relation to the borrowing power of the Board was amended whereby the limitation that no borrowing may be made if it would result in the aggregate principal amount for the time being remaining undischarged of all moneys borrowed by the Company exceeding fifty per cent of the latest available net asset value at the time of the borrowing without the approval of the shareholders was removed further to the approval by the shareholders at the annual general meeting held on 30 April 2018. Other than the above, there has been no other material amendment to the Memorandum and the Articles of the Company during the year ended 31 December 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

China Ding Yi Feng Holdings Limited and its subsidiaries (the “Group” or “we”) are pleased to present our Environmental, Social and Governance Report (the “ESG Report”). The report concerns environmental and social impacts, policies and initiatives of the Group to demonstrate our long-term commitment to ensure that our activities, at all levels, are economically, socially and environmentally sustainable. Additional information in relation to the Group’s corporate governance and financial performance can be referred to our 2018 annual report for the year ended 31 December 2018.

The “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) which is set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) is the reporting framework of this ESG Report.

The scope of the ESG Report covers the environmental and social performances of the principal operating activities of the Group, which includes investment in both listed and unlisted securities, spanning over the period from January 1, 2018 to December 31, 2018 (the “Reporting Period” or “FY2018”).

With reference to the ESG Reporting Guide and the Group’s business operation, the presentation of our ESG Report divides the relevant aspects and Key Performance Indicators (“KPI”), which are considered to be relevant and material to the Group, into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investments.

A complete index in compliance with the ESG Reporting Guide is also available at the end of this report for reference. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this report has complied with all the “comply or explain” provisions set out in the ESG Reporting Guide.

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

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

We welcome comments and suggestions from our stakeholders. You may provide your comments on the ESG Report or towards our performance in respect of sustainability via email to info@dyf.com.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. ENVIRONMENTAL PROTECTION

2.1 Corporate Environmental Policy and Compliance

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

As a company that is principally engaged in investment in both listed and unlisted securities, we generally bear a low impact on carbon footprint and therefore the environment. Nevertheless, the Group, together with our talented team, is committed to actively minimizing the impact on our environment and implementing different measures to optimize the workplace, continuing to address the environmental issues in relation to global warming, pollution, and biodiversity of the environment.

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

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

2.2 Emissions

2.2.1 Exhaust Gas and GHG Emissions

Our Group’s business, by nature, does not generate a significant amount of exhaust gas directly throughout its operation.

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

- maintaining indoor temperature at an optimal level for comfort;
- providing on-off and zoning control of lighting and ventilation system in the workplace according to the operation schedule;
- installing LED lighting system in the workplace;
- encouraging employees to switch off machines and devices, such as computers and monitors when not in use;
- encouraging employees to make the best use of modern telecommunication system to avoid unnecessary travel arrangement; and
- placing “Green Message” reminders on office equipment and workplace to further enhance employees’ environmental awareness.

Table 1 – Emissions

	Unit	2018
GHG Emissions	CO ₂ e (kg)	32,766
Nitrogen Oxides	g	194,800
Sulphur Oxides	g	178
Particulate Matter	g	14,343

2.2.2 Waste Management

The Group adheres to the principles of waste management and is committed to a sound and proper management of all waste generated during our operation.

Hazardous Waste

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

Non-hazardous Waste

Domestic Waste

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

Wastewater Discharge

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

Table 2 – Total Non-Hazardous Waste Discharge

	Unit	2018
Domestic Waste	kg	9,500

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

Green Operation

The Group is committed to a paperless operation, constantly encouraging all employees to reduce paper usage through duplex printing, paper recycling and frequent use of electronic information systems for material sharing and internal administrative documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

2.3 Use of Resources

The Group considers the conservation of natural resources as an indispensable component of our sustainable business. Through actively promoting various environmental friendly measures, we encourage an efficient use of resources, including energy, paper, water and other raw materials. As such, the Group has initiated policies to raise the awareness of electricity conservation and taken energy saving measures throughout our daily operation as elaborated in the section of 2.1 Emissions.

Water Consumption

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

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

Packaging Material

The Group, by its business nature, does not have manufacturing facilities and therefore, does not consume a significant amount of packaging materials.

Environmental Performance

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

Table 3 – Energy and Resources Use

	Unit	2018
Electricity	kWh	24,552
Purchased Gas	Unit	N/A
Unleaded Petrol	L	12,134
Paper	kg	3,638
Water	m ³	N/A

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.4 The Environment and Natural Resources

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

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

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

3. EMPLOYMENT AND LABOUR PRACTICES

3.1 Recruitment and Promotion

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

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

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

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

3.2 Employment and Labour

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

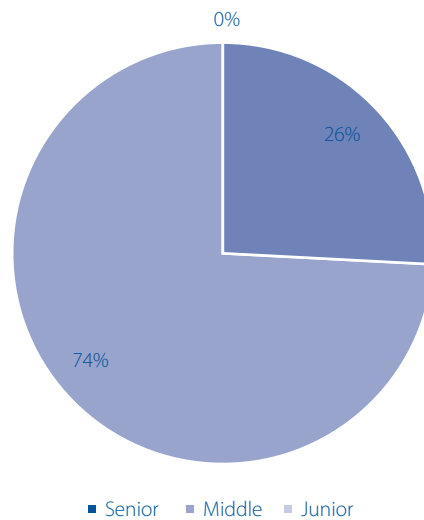
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

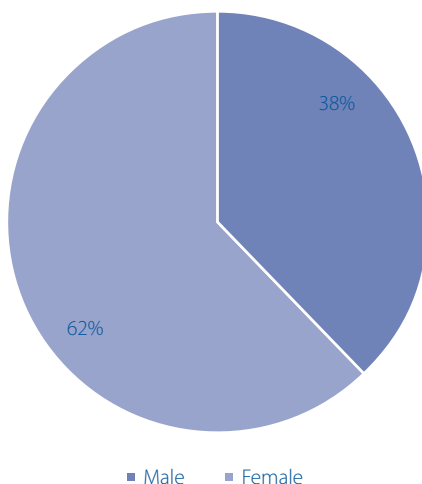
Table 4 – Our Workforce

	2018
Total Number of Full-Time Employees	39
Turnover Rate by Gender	
Male	0%
Female	3%
Turnover Rate by Age	
Under 30 years old	0%
30–50 years old	5%
over 50 years old	0%

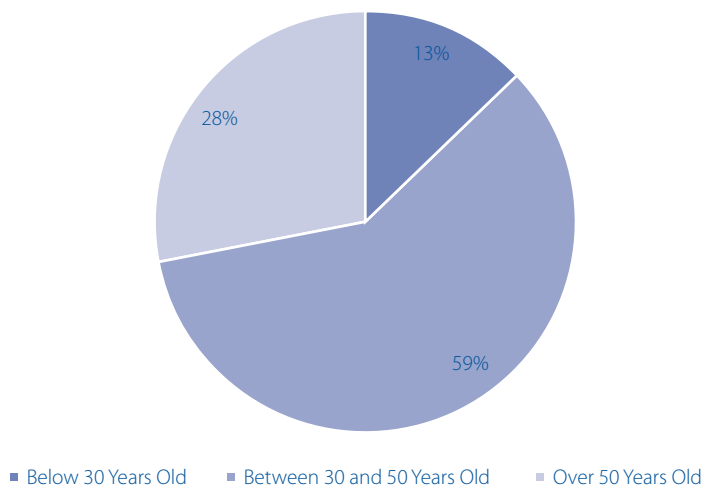
Total Workforce by Employment Level as of 31 Dec 2018



Total Workforce by Gender as of 31 Dec 2018



Total Workforce by Age Group as of 31 Dec 2018



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

3.3 Health and Safety

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

- installing air purifiers in relatively crowded areas such as conference and meeting rooms;
- prohibiting smoking and abuse of alcohol and drugs in the workplace;
- providing clean and tidy rest area such as corridors and pantry;
- providing adjustable chairs and monitors for eye protection;
- setting up posters of proper working postures and lifting method accessible on the intranet and at appropriate locations in offices;
- conducting fire drills and emergency evacuation simulations to raise employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency;
- improving the fire evacuation plans by providing first aid kits and fire extinguishers in workplace in response to emergencies.

During the Reporting Period, the Group complies with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), by ensuring that the employees are working in a safe environment in respect of health, hygiene, ventilation, gas safety, building structure and means of escape. The Group did not record any accidents that resulted in death or serious physical injury. No material non-compliance with laws and regulations relevant to health and safety of employees were identified.

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

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

Table 5 – Health and Safety

	2018
No. of Work-Related Fatalities	0
Rate of Work-Related Fatalities	0
No. of Injuries at Work	0
Lost Days due to Injury at Work	0

3.4 Development and Training

The Group envisions that empowering its people through development and training is the cornerstone of our success in the long-run. The Group listens and responds to our people. Our training programmes are designed not only to meet our business vision and to provide skillset required for the operation, but also for the benefit of society as a whole wherever possible.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Considering that each of the positions presents unique professional and technical needs, the Group ensures that every new joiner receives proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly. Continuous training is committed by the Group in different ways, including internal training programs, comprehensive training for specific skill development, and courses for continuous professional development for relevant employees so as to ensure that they possess the appropriate qualities and skill-sets. Implementation of safety training and comprehensive risk assessments are among the most important tasks in the Group.

Employees at all levels can satisfy their needs of training through multiple training courses, including induction training, technical skills training and pre and post training. We also provide the management with a series of courses related to soft skill development. The goal is to strengthen their leadership and management skills, which are expected to drive the team to grow. These training programs not only enhance the career prospects of individual employee, but also boost the sustainable development of the Group.

Table 6 – Employee Training

	Unit	2018
Average hours of training received per employee	hours	1.08
Average hours of training per employee by ranking		
Senior Staff	hours	4
Intermediate Staff	hours	N/A
Junior Staff	hours	N/A
The percentage of employees trained		
Senior Staff	%	100%
Intermediate Staff	%	N/A
Junior Staff	%	N/A

Moreover, the Group is strongly convinced that a sense of belonging and high morale of the employees are always the key drivers to the Group's healthy and prosperous growth. The Group delivers festive foods, such as mooncakes, to employees during certain traditional festivals (such as Lunar New Year and Mid-Autumn Festival) in recognition of their contributions and dedicated work to the Group. Regular and festival gatherings are organised during the Reporting Period to enhance the harmonious spirit among different levels of staff members throughout the Group.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.5 Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. New employees are required to provide true and accurate personal data when they are onboard. Recruiters should strictly review entry documents including medical examination certificates, academic certificates and identity cards. The Group never engages suppliers and contractors that hire child labour or forced labour in their operations to provide administrative supplies and services.

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

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

4. OPERATING PRACTICES

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

4.1 Supply Chain Management

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

In addition to purchasing services according to the specified standards, we have developed a selection mechanism for vendors and suppliers in which we require our potential contractors or suppliers to comply with all the applicable laws and regulations and confirm their compliance with safety, environment, and social aspects. Inspection and assessments may be conducted by the Group if deemed necessary. To maintain a good corporate control and governance, the Group has developed a series of management system as and procedures in alignment with the Corporate Governance required by the HKEX. We are obliged to terminate the cooperation contracts with suppliers that may cause or have caused serious pollution or serious social accidents.

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

4.2 Product Responsibility

To be a successful business, we maintain continuous communication with our customers to ensure that we understand and fulfil their needs and expectations, so that we can improve the quality of our services in the long run.

The Group complies with relevant laws and regulations, for instance, the Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong). The Group also carries out continuous and regular assessment of the product quality and review of opportunities for improvements and changes.

During the Reporting Period, the Group did not identify any material non-compliance of the laws and regulations related to the quality of products and services.

Feedback Management

The Group has set up various complaints and feedback channels, such as telephone hotline, emails and websites, to collect suggestions and advice from customers.

4.3 Privacy Protection

The Group is committed to compliance with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), to ensure that all data are securely kept in our internal system with access control. The Group also set out data privacy requirements in our corporate policies, under which customer and supplier data would be used exclusively for matters relating to the Group's operation only. We strive to ensure all collected data kept is free from unauthorized or accidental access, processing, erasure or other use.

4.4 Anti-Corruption

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

The Group observe related laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group, such as the "Prevention of Bribery Ordinance of Hong Kong" (Chapter 201 of the laws of Hong Kong). During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded.

Under the Group's policy, employees may report any concern in relation to accounting controls and audit matters to the Audit Committee, which will review each complaint and decide how the investigation should be conducted. During the Reporting Period, the Audit Committee identified there is no complaint from employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. COMMUNITY INVESTMENT

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

During the Reporting Period, we organised a charitable event called “Xmas Marshmallow Crystal Ball for Kids” at Ronald McDonald House to support the local community development. We consider this is a good fit to our community policy and shall continue our effort in organizing such charitable events in the future.



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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. HKEX ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection	
KPI A1.1	Types of emissions and respective emissions data	Environmental Protection	
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Protection	
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	–	The Group has not identified any hazardous waste was produced in our core business
KPI A1.4	Total non-hazardous waste produced and intensity	Environmental Protection	
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environmental Protection	
KPI A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	Environmental Protection	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Environmental Protection	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Protection	
KPI A2.2	Water consumption in total and intensity	Environmental Protection	
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection	
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	–	Defined to be irrelevant to the Group's operation
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	–	Use of packaging material is not applicable to the Group's core operation
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental Protection	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Environmental Protection	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and Labour Practices	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment and Labour Practices	
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employment and Labour Practices	
KPI B2.1	Number and rate of work-related fatalities	Employment and Labour Practices	
KPI B2.2	Lost days due to work injury	Employment and Labour Practices	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices	
KPI B3.1	The percentage of employees trained by gender and employee category	Employment and Labour Practices	
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices	
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	–	No such incidents were reported during the Reporting Period.
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices	
KPI B5.1	Number of suppliers by geographical region	Operating Practices	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Operating Practices	
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Operating Practices	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	Not applicable to the Group's core operation
KPI B6.2	Number of products and service related complaints received and how they are dealt with	–	No products and service related complaints received during the Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	–	Not applicable to the Group's core operation
KPI B6.4	Description of quality assurance process and recall procedures	–	Not applicable to the Group's core operation
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Operating Practices	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Operating Practices	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Operating Practices	No concluded legal cases regarding corrupt practices during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	–	The Group is working on this aspect.
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Community Investment	
KPI B8.1	Focus areas of contribution	Community Investment	
KPI B8.2	Resources contributed to the focus areas	Community Investment	

INDEPENDENT AUDITOR'S REPORT

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

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**TO THE SHAREHOLDERS OF CHINA DING YI FENG HOLDINGS LIMITED
(FORMERLY KNOWN AS "CHINA INVESTMENT FUND INTERNATIONAL HOLDINGS LIMITED")**

中國鼎益豐控股有限公司（前稱為「中國投資基金國際控股有限公司」）

(Incorporated as an exempted company in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Ding Yi Feng Holdings Limited, formerly known as "China Investment Fund International Holdings Limited" (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 51 to 119, 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.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of the equity instruments at fair value through other comprehensive income ("FVTOCI")</p> <p>Refer to Note 16 to the consolidated financial statements</p> <p>The Group's equity instruments at FVTOCI amounted to HK\$2,302,207 was measured at fair value as at 31 December 2018 and there was a revaluation gain of HK\$537,501 for the year ended 31 December 2018. The fair value was assessed by the management based on a valuation performed by an independent valuer (the "Valuer") engaged by the Group.</p> <p>The valuation of equity instruments at FVTOCI involved significant judgements and estimates, including the determination of valuation methodology and the selection of different inputs to the valuation model.</p> <p>Considering the significant judgements and estimation elements involved in the determination of fair value and the financial impacts it brings to the consolidated financial statements, we have identified the valuation as a key audit matter.</p>	<p>Our procedures in relation to the valuation assessment of the unlisted equity investment included the following:</p> <ul style="list-style-type: none">– assessing the competence, capabilities, independence and objectivity of the Valuer;– assessing the valuation methodology used by the Valuer, validation of observable inputs using external market data and the appropriateness of the key bases and assumptions used in the calculation, including a premium for licences and discount rates, and discussing these bases and assumptions with the management;– challenging the reasonableness of the key assumptions based on our knowledge of the business and industry;– obtaining supportive evidence for the significant judgements and estimates of the valuation and the key inputs used in the valuation model; and– checking the mathematical accuracy of the valuation. <p>Based on available evidence, we consider that the bases and assumptions used by management in the valuation of the equity investments at FVTOCI as at the year end date were reasonable.</p>

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

HLM CPA Limited

Certified Public Accountants

Wong Kam Hing

Practising Certificate Number: P05697

Hong Kong

28 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK\$	2017 HK\$
Revenue	5	36,612,338	12,563
Other income	6	467,666	–
Net realised gain on disposal of equity instruments at fair value through other comprehensive income		14,850,118	–
Net realised gain on disposals of financial assets at fair value through profit or loss		23,660,364	2,201,830
Net realised gain (loss) on financial derivative contracts		2,029,668	(12,145,439)
Net unrealised gain (loss) on financial assets at fair value through profit or loss		128,200,059	(41,183,353)
		205,820,213	(51,114,399)
Net gain (loss) on disposals of subsidiaries	34	67,214,139	(10,478,016)
Administrative expenses		(92,848,529)	(84,265,958)
Finance costs	8	(32,164,697)	(9,218,838)
		148,021,126	(155,077,211)
Profit (loss) before tax	9	148,021,126	(155,077,211)
Income tax expense	10	(19,464,832)	–
		128,556,294	(155,077,211)
		128,556,294	(155,077,211)
Earnings (loss) per share	13		
– Basic (HK cents per share)		10.51	(13.09)
– Diluted (HK cents per share)		10.24	(13.09)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 HK\$	2017 HK\$
Profit (loss) for the year attributable to owners of the Company	128,556,294	(155,077,211)
Other comprehensive income (expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain on equity instruments at fair value through other comprehensive income	537,501	–
Reclassification of investment revaluation reserve upon disposals of subsidiaries	–	10,783,505
	537,501	10,783,505
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	2,696	7,130
Net loss arising on revaluation of available-for-sale financial assets	–	(13,193,675)
	2,696	(13,186,545)
Other comprehensive income (expense) for the year, net of tax	540,197	(2,403,040)
Total comprehensive income (expense) attributable to owners of the Company	129,096,491	(157,480,251)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK\$	2017 HK\$
Non-current assets			
Property, plant and equipment	14	7,487,541	12,898,416
Intangible assets	15	10,228,403	10,228,403
Equity instruments at fair value through other comprehensive income	16	2,302,207	–
Available-for-sale financial assets	17	–	43,175,238
Rental deposits	18	5,726,351	4,655,471
		25,744,502	70,957,528
Current assets			
Prepayments, deposits and other receivables	18	261,724,420	32,530,227
Financial assets at fair value through profit or loss	19	226,126,899	40,434,884
Cash and cash equivalents	20	304,217,191	138,446,606
		792,068,510	211,411,717
Current liabilities			
Accruals and other payables	21	18,236,881	6,418,654
Borrowings	22	210,944,796	122,790,000
		229,181,677	129,208,654
Net current assets		562,886,833	82,203,063
Total assets less current liabilities		588,631,335	153,160,591

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK\$	2017 HK\$
Non-current liabilities			
Borrowings	22	200,345,439	107,611,743
Deferred tax liabilities	23	19,464,832	–
		219,810,271	107,611,743
Net assets			
		368,821,064	45,548,848
Capital and reserves			
Share capital	24	61,836,100	60,886,100
Reserves		306,984,964	(15,337,252)
		368,821,064	45,548,848
Total equity			
		368,821,064	45,548,848
Net asset value per share			
	13	0.30	0.04

The consolidated financial statements on pages 51 to 119 were approved and authorised for issue by the Board of Directors on 28 February 2019 and are signed on its behalf by:

Luk Hong Man, Hammond
Executive Director

Zhang Xi
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital HK\$	Share premium HK\$	Exchange reserve HK\$	Share option reserve HK\$	Capital reserve HK\$	FVTOCI/ investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2017	55,351,000	326,543,395	8,514	19,132,609	-	(32,539,531)	(293,197,692)	75,298,295
Loss for the year	-	-	-	-	-	-	(155,077,211)	(155,077,211)
Other comprehensive income (expense) for the year:								
Exchange differences arising on translation of foreign operations	-	-	7,130	-	-	-	-	7,130
Net loss arising on revaluation of available-for-sale financial assets	-	-	-	-	-	(13,193,675)	-	(13,193,675)
Reclassification of investment revaluation reserve upon disposals of subsidiaries	-	-	-	-	-	10,783,505	-	10,783,505
Total comprehensive income (expense) for the year	-	-	7,130	-	-	(2,410,170)	(155,077,211)	(157,480,251)
Issue of shares under the open offer	5,535,100	56,458,020	-	-	-	-	-	61,993,120
Share issue expenses	-	(750,000)	-	-	-	-	-	(750,000)
Waiver of advances from a shareholder	-	-	-	-	65,157,684	-	-	65,157,684
Recognition of equity-settled share-based payments	-	-	-	1,330,000	-	-	-	1,330,000
Share options lapsed	-	-	-	(10,737,055)	-	-	10,737,055	-
At 31 December 2017 and 1 January 2018	60,886,100	382,251,415	15,644	9,725,554	65,157,684	(34,949,701)	(437,537,848)	45,548,848
Profit for the year	-	-	-	-	-	-	128,556,294	128,556,294
Other comprehensive income for the year:								
Exchange differences arising on translation of foreign operations	-	-	2,696	-	-	-	-	2,696
Fair value gain on equity instruments at fair value through other comprehensive income ("FVTOCI")	-	-	-	-	-	537,501	-	537,501
Total comprehensive income for the year	-	-	2,696	-	-	537,501	128,556,294	129,096,491
Issue of shares under placement of shares	950,000	199,025,000	-	-	-	-	-	199,975,000
Share issue expenses	-	(5,799,275)	-	-	-	-	-	(5,799,275)
Reclassification of FVTOCI reserve upon disposals of subsidiaries	-	-	-	-	-	34,949,701	(34,949,701)	-
Share options lapsed	-	-	-	(115,805)	-	-	115,805	-
At 31 December 2018	61,836,100	575,477,140	18,340	9,609,749	65,157,684	537,501	(343,815,450)	368,821,064

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK\$	2017 HK\$
Operating activities			
Profit (loss) for the year		128,556,294	(155,077,211)
Adjustments for:			
Income tax expense	10	19,464,832	–
Depreciation of property, plant and equipment	14	5,555,415	4,309,082
Interest income		(283,466)	(12,563)
Dividend income		(36,328,872)	–
Interest expense	8	32,164,697	9,218,838
Net (gain) loss on disposals of subsidiaries	34	(67,214,139)	10,478,016
Loss on written off of property, plant and equipment		–	984,181
Net realised gain on disposal of equity instruments at FVTOCI		(14,850,118)	–
Net realised gain on disposals of financial assets at fair value through profit or loss (“FVTPL”)		(23,660,364)	(2,201,830)
Net realised (gain) loss on financial derivative contracts		(2,029,668)	12,145,439
Net unrealised (gain) loss on financial assets at FVTPL		(128,200,059)	41,183,353
Equity-settled share-based payments		–	1,330,000
Operating cash flows before movements in working capital		(86,825,448)	(77,642,695)
Increase in prepayments, deposits and other receivables		(230,265,073)	(18,050,972)
Increase in accruals and other payables		16,071,044	1,511,368
Proceeds on disposals of financial assets at FVTPL		76,579,150	47,254,892
Proceeds on disposal of equity instruments at FVTOCI		15,000,000	–
Purchase of financial assets at FVTPL		(110,410,742)	(88,247,799)
Purchase of available-for-sale financial assets		–	(117)
Purchase of equity instruments at FVTOCI		(1,764,706)	–
Net cash inflow (outflow) from settlement of financial derivative contracts		2,029,668	(12,145,439)
Net cash used in operating activities		(319,586,107)	(147,320,762)
Investing activities			
Interest received		283,466	12,563
Dividend received		36,328,872	–
Purchase of property, plant and equipment	14	(144,540)	(15,179,642)
Net cash outflow arising from acquisition of a subsidiary		–	(6,679,458)
Net cash inflow from disposal of subsidiaries	34	100,239,438	11,736,822
Net cash from (used in) investing activities		136,707,236	(10,109,715)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK\$	2017 HK\$
Financing activities			
Interest paid		(22,133,827)	(6,479,488)
Proceeds from issue of shares		194,175,725	61,243,120
Proceeds from issue of interest-bearing bonds		449,132,805	229,097,177
Repayments of interest-bearing bonds		(285,228,000)	(54,000,000)
Proceeds from issue of interest-bearing loans		48,700,000	27,500,000
Repayments of interest-bearing loans		(36,000,000)	(17,500,000)
Advance from a shareholder		–	38,839,065
Net cash from financing activities		348,646,703	278,699,874
Net increase in cash and cash equivalents		165,767,832	121,269,397
Effect of foreign exchange rate changes		2,753	7,130
Cash and cash equivalents at beginning of year		138,446,606	17,170,079
Cash and cash equivalents at end of the year			
Represented by bank balances and cash	20	304,217,191	138,446,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

China Ding Yi Feng Holdings Limited (formerly known as China Investment Fund International Holdings Limited) (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 2 January 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The principal activities of the Company and its subsidiaries (the “Group”) are investing in listed and unlisted securities. The principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

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

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

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

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

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

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the current year have 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.

HKFRS 15 Revenue from contracts with customers

The Group adopted HKFRS 15 on its effective date of 1 January 2018. HKFRS 15 replaces HKAS 18 *Revenue* and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from HKAS 18 to HKFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting HKFRS 15 for the Group.

HKFRS 9 Financial Instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

HKFRS 9 Financial Instruments (continued)

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 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 and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available- for-sale financial assets HK\$	Financial assets designated at FVTPL HK\$	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 HK\$	Equity instruments at FVTOCI HK\$
Closing balance at 31 December 2017					
– HKAS 39		43,175,238	6,125,592	34,309,292	–
Effect arising from initial application of HKFRS 9:					
Reclassification:					
From available-for-sale	(a)	(43,175,238)	–	–	43,175,238
From designated at FVTPL	(b)	–	(6,125,592)	6,125,592	–
Opening balance at 1 January 2018		–	–	40,434,884	43,175,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued) HKFRS 9 Financial Instruments (continued)

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

Notes:

a) Available-for-sale (“AFS”) financial assets

From AFS financial assets to equity instruments at fair value through other comprehensive income (“FVTOCI”)

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$43,175,238 were reclassified from AFS financial assets to equity instruments at FVTOCI, of which HK\$149,939 related to unlisted equity investments previously measured at cost less impairment under HKAS 39. Accumulated fair value losses of HK\$34,949,701 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve.

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

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the unlisted option contracts which are evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, these investments of HK\$6,125,592 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK\$34,309,292 of the Group’s investments were held for trading and continued to be measured at FVTPL.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

c) Impairment under ECL model

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including rental deposits, deposits and other receivables and cash and cash equivalents, are assessed on 12 months ECL basis as there had been no significant increase in credit risk since initial recognition.

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) HK\$	Impact on HKFRS 9 HK\$	1 January 2018 (Restated) HK\$
Non-current assets			
Available-for-sale financial assets	43,175,238	(43,175,238)	–
Equity instruments at FVTOCI	–	43,175,238	43,175,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
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 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

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

HKFRS 16 Leases

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases (continued)

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 own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK\$6,438,632 as disclosed in note 29 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$5,726,351 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets. Accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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

The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

Acquisition of a subsidiary not constituting a business

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Revenue from contracts with customers

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

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

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

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the rights to receive payments have been established.

Property, plant and equipment

Property, plant and equipment including leasehold improvements, office equipment and motor vehicles held for use in the production or supply of goods or services, or for administrative purposes 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 estimates accounted for on a prospective basis.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets that have indefinite useful lives are not subject to amortisation, but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Otherwise, the amortisation is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment of tangible and intangible assets

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 relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is any indication that they may be impaired.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset 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 a 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 years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's 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 expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

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

Leases

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

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Borrowing costs

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

Retirement benefit costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees (including directors)

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

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

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

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

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 profit (loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

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

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

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

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.

Provisions

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

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

Financial instruments

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income 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 income and dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements)

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

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

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

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

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

A financial asset is classified as held for trading if:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements) (continued)

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

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

The Group's financial assets are classified into the following specified categories: (i) financial assets at fair value through profit or loss ("FVTPL"), (ii) available-for-sale ("AFS") financial assets and (iii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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

(i) Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 31(c) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated certain items as AFS financial assets on initial recognition of those items.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of AFS/FVTOCI reserve.

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

(iii) 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 rental deposits, financial assets included in prepayments, deposits and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of financial assets below).

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 (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. 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 is 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.

For all 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 to the consolidated financial statements) (continued)

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

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

Definition of default

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 the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 to the consolidated financial statements) (continued)

(ii) 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.

(iii) 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.

(iv) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

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

For certain categories of financial assets, such as 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, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of 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 other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

Derecognition of financial assets

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

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

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

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

Financial liabilities and equity instruments

Classification as debit or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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 amortised cost

Financial liabilities (including accruals and other payables, borrowings and advance from a shareholder) are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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.

Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered at the end of the reporting period respectively.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks or other financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and having been within three months of maturing at acquisition.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash at banks and on hand, including fixed deposits, which are not restricted 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 of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(b) (continued)

- (v) the entity is a post-employment benefit plan for the benefit of employees of the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity or any member of a group of which it is a part, provides key management personnel services to the 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 the entity including:

- (i) the 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, 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 (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in the consolidated financial statements.

Useful lives of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful life after taking into account of their estimated residual values, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the amounts that the directors estimate that the Group would currently obtain from the disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of measurement of unlisted equity securities

The Group's unlisted equity instruments amounting to HK\$2,302,207 as at 31 December 2018 (HK\$43,025,299 as at 31 December 2017) are measured at fair values determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 31(c) to the consolidated financial statements for further disclosures.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2018 HK\$	2017 HK\$
Interest income from banks and financial institutions	283,466	12,563
Dividend income (note a)	36,328,872	–
	36,612,338	12,563

Note a: During the year ended 31 December 2018, the Company received a total of HK\$36,328,872 in dividend income from the Group's unlisted investment in China Investment Holdings Limited ("CIHL"), comprising 15% shareholding in the form of class A shares carrying dividend entitlement compared to that of class B shares in the ratio of 85:15 and which had been declared and approved by CIHL in March 2018 and June 2018. CIHL is principally engaged in financial and management services outside Hong Kong.

6. OTHER INCOME

	2018 HK\$	2017 HK\$
Sundry income	467,666	–

The amount represents incentive received from brokers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. SEGMENT INFORMATION

For the years ended 31 December 2018 and 2017, the Group's revenue was mainly interest income from banks and financial institutions and dividend income. The Directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical markets, are as follows:

	Hong Kong		PRC and other jurisdictions		Consolidated	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Segment revenue:						
Interest income from banks and financial institutions	265,282	1,228	18,184	11,335	283,466	12,563
Dividend income	-	-	36,328,872	-	36,328,872	-
	265,282	1,228	36,347,056	11,335	36,612,338	12,563
Non-current assets*	17,667,249	23,126,819	48,695	-	17,715,944	23,126,819
Total assets	800,917,374	220,156,173	16,895,638	62,213,072	817,813,012	282,369,245
Total liabilities	448,990,608	236,819,236	1,340	1,161	448,991,948	236,820,397
Other segment information:						
Additions to property, plant and equipment	95,000	15,179,642	49,540	-	144,540	15,179,642
Additions to intangible assets	-	6,616,124	-	-	-	6,616,124

* The non-current assets information above is based on the locations of the assets and excluded AFS financial assets, equity instruments at FVTOCI and rental deposits.

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. FINANCE COSTS

	2018 HK\$	2017 HK\$
Interest expenses on:		
Interest-bearing loan notes (note 22(a))	2,168,419	2,166,246
Interest-bearing bonds (note 22(b))	27,631,346	6,265,341
Interest-bearing loans	2,364,932	787,251
	32,164,697	9,218,838

9. PROFIT (LOSS) BEFORE TAX

	2018 HK\$	2017 HK\$
The Group's profit (loss) before tax has been arrived at after charging the following items:		
Directors' emoluments (note 11):		
Fees	4,380,000	3,910,667
Other emoluments	2,936,696	2,801,725
Discretionary bonuses	420,000	895,000
Retirement benefits scheme contributions	64,427	64,390
Equity-settled share-based payments	–	1,330,000
Staff costs:		
Basic salaries and allowances	8,967,741	8,397,427
Retirement benefits scheme contributions	291,576	275,237
Total staff costs (including Directors' emoluments)	17,060,440	17,674,446
Auditor's remuneration	765,000	680,000
Depreciation of property, plant and equipment	5,555,415	4,309,082
Loss on written off of property, plant and equipment	–	984,181
Net foreign exchange losses	666,004	340,736
Operating lease charges in respect of office premises	8,512,306	11,332,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. INCOME TAX EXPENSE

	2018 HK\$	2017 HK\$
Tax expenses attributable to the Company and subsidiaries:		
Deferred taxation		
Charge for the year (note 23)	19,464,832	–

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%.

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

No Hong Kong profits tax has been provided as the Group had no assessable profits in Hong Kong for the year (2017: Nil).

Under the law of the PRC on Enterprises Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group’s PRC subsidiaries is 25% for both years.

The tax expense for the year can be reconciled to the profit(loss) before tax in the consolidated statement of profit or loss as follows:

	2018 HK\$	2017 HK\$
Profit (loss) before tax	148,021,126	(155,077,211)
Tax at the applicable statutory tax rates	22,663,090	(26,692,152)
Tax effect of income not taxable for tax purpose	(17,651,624)	(53,562)
Tax effect of expenses not deductible for tax purpose	10,841,988	16,538,136
Tax effect of temporary differences not recognised	782,768	(199,881)
Tax effect of tax losses not recognised	2,828,610	10,407,459
Tax expense for the year	19,464,832	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	2018					Total HK\$
	Directors' fees HK\$	Salaries and allowances HK\$	Discretionary bonuses HK\$	Retirement benefits scheme contributions HK\$	Equity-settled share-based payments HK\$	
<i>Executive Directors</i>						
Luk Hong Man, Hammond	-	1,468,348	210,000	32,249	-	1,710,597
Zhang Xi	-	1,468,348	210,000	32,178	-	1,710,526
<i>Non-Executive Directors</i>						
Sui Guangyi (Chairman)	960,000	-	-	-	-	960,000
Wang Mengtao	960,000	-	-	-	-	960,000
Leung Ka Fai	960,000	-	-	-	-	960,000
Ma Xiaoqiu	960,000	-	-	-	-	960,000
<i>Independent Non-executive Directors</i>						
Jing Siyuan	180,000	-	-	-	-	180,000
Zhang Aimin	180,000	-	-	-	-	180,000
Zhang Qiang	180,000	-	-	-	-	180,000
	4,380,000	2,936,696	420,000	64,427	-	7,801,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. DIRECTORS' AND EMPLOYEES' REMUNERATION (CONTINUED)

(a) Directors' emoluments (continued)

	2017						Total HK\$
	Directors' fees HK\$	Salaries and allowances HK\$	Discretionary bonuses HK\$	Retirement benefits scheme contributions HK\$	Equity- settled share-based payments HK\$		
<i>Executive Directors</i>							
Luk Hong Man, Hammond	–	1,400,863	305,000	32,395	–	–	1,738,258
Zhang Xi	–	1,400,862	305,000	31,995	–	–	1,737,857
<i>Non-Executive Directors</i>							
Sui Guangyi (Chairman)	960,000	–	80,000	–	–	–	1,040,000
Wang Mengtao	960,000	–	80,000	–	–	–	1,040,000
Leung Ka Fai	960,000	–	80,000	–	–	–	1,040,000
Ma Xiaoqiu (note 1)	490,667	–	–	–	1,330,000	–	1,820,667
<i>Independent Non-executive Directors</i>							
Jing Siyuan	180,000	–	15,000	–	–	–	195,000
Zhang Aimin	180,000	–	15,000	–	–	–	195,000
Zhang Qiang	180,000	–	15,000	–	–	–	195,000
	3,910,667	2,801,725	895,000	64,390	1,330,000	–	9,001,782

Note:

(1) Appointed on 27 June 2017

The Executive Directors' emoluments shown above include their services in connection with the management of the affairs of the Company and the Group.

The fees paid to non-executive and independent non-executive Directors shown above were mainly for their services as directors of the Company.

Mr. Luk Hong Man, Hammond is also chief executive officer and Mr. Zhang Xi is also chief investment officer of the Company and their emoluments disclosed above include those services rendered by them.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. DIRECTORS' AND EMPLOYEES' REMUNERATION (CONTINUED)

(a) Directors' emoluments (continued)

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).

(b) Five highest paid individuals

The five highest paid employees of the Group during the year included four (2017: four) directors, details of whose remuneration are set out in note 11(a) above. The emoluments of the remaining one (2017: one) employee were as follows:

	2018 HK\$	2017 HK\$
Salaries, allowances and other benefits	963,237	917,368
Discretionary bonuses	147,000	213,500
Retirement benefits scheme contributions	18,000	18,000
	1,128,237	1,148,868

The emoluments of the five individuals with the highest emoluments were within the following bands:

	Number of individuals	
	2018	2017
HK\$Nil – HK\$1,000,000	2	–
HK\$1,000,001 – HK\$3,000,000	3	5

During the years ended 31 December 2018 and 2017, no remuneration was paid by the Group to any of the directors of the Company or the one (2017: one) highest paid employee of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. DIVIDEND

Subsequent to 31 December 2018, a final dividend for the year ended 31 December 2018 of HK\$0.02 (2017: Nil) per share amounting to HK\$24,734,440 in total has been proposed by the directors for approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of reporting period.

13. NET ASSET VALUE PER SHARE AND EARNINGS (LOSS) PER SHARE

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of HK\$368,821,064 (2017: HK\$45,548,848) by the number of shares in issue as at 31 December 2018, being 1,236,722,000 (2017: 1,217,722,000).

Earnings (loss) per share

The calculations of basic and diluted earnings (loss) per share are based on:

	2018 HK\$	2017 HK\$
Earnings (loss)		
Profit (loss) attributable to owners of the Company	128,556,294	(155,077,211)
Shares		
Weighted average number of ordinary shares in issue during the year used in basis earnings (loss) per share calculation	1,222,667,205	1,184,587,223
Effect of dilutive potential ordinary shares – share options	32,479,790	32,979,790
	1,255,146,995	1,217,567,013*

* No adjustment has been made to the basic loss per share amount for the year ended 31 December 2017 because the diluted loss per share amount is decreased when taking outstanding share options into account, so the outstanding share options had an anti-dilutive effect on the basic loss per share amount. Accordingly, the diluted loss per share is same as the basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Office equipment HK\$	Motor vehicles HK\$	Total HK\$
COST				
At 1 January 2017	1,560,807	1,033,689	1,556,641	4,151,137
Additions	7,863,790	7,315,852	–	15,179,642
Written off	(1,339,813)	(509,028)	–	(1,848,841)
At 31 December 2017 and at 1 January 2018	8,084,784	7,840,513	1,556,641	17,481,938
Additions	95,000	49,540	–	144,540
At 31 December 2018	8,179,784	7,890,053	1,556,641	17,626,478
DEPRECIATION AND IMPAIRMENT				
At 1 January 2017	586,588	267,118	285,394	1,139,100
Charge for the year	2,093,367	1,904,373	311,342	4,309,082
Written off	(698,235)	(166,425)	–	(864,660)
At 31 December 2017 and at 1 January 2018	1,981,720	2,005,066	596,736	4,583,522
Charge for the year	2,699,950	2,544,125	311,340	5,555,415
At 31 December 2018	4,681,670	4,549,191	908,076	10,138,937
CARRYING AMOUNTS				
At 31 December 2018	3,498,114	3,340,862	648,565	7,487,541
At 31 December 2017	6,103,064	5,835,447	959,905	12,898,416

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

Leasehold improvements	20% or over the lease term
Office equipment	20%
Motor vehicles	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. INTANGIBLE ASSETS

	Cross-boundary vehicle licences	Type 9 regulated activity licence	Total
	HK\$	HK\$	HK\$
COST			
At 1 January 2017	3,612,279	–	3,612,279
Arising on acquisition of subsidiaries	–	6,616,124	6,616,124
<hr/>			
31 December 2017 and at 1 January 2018 and 31 December 2018	3,612,279	6,616,124	10,228,403
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ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2017, 31 December 2017 and at 1 January 2018	–	–	–
Amortisation	–	–	–
<hr/>			
At 31 December 2018	–	–	–
<hr/>			
CARRYING AMOUNTS			
At 31 December 2018	3,612,279	6,616,124	10,228,403
<hr/>			
At 31 December 2017	3,612,279	6,616,124	10,228,403
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The cross-boundary vehicle licences have a legal life of one year but are renewable every year at minimal costs. The Directors considered the Group would renew the cross-boundary vehicle licences continuously and has the ability to do so. As a result, the cross-boundary vehicle licences are considered by the Directors of the Group as having an indefinite useful life and will not be amortised.

Type 9 regulated activity licence is regarded as having indefinite useful lives and there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group as it is expected that its value will not be reduced through the usage and there are no legal or similar limits on the period for their use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK\$
Unlisted investments	
– Equity securities in Hong Kong (note 1)	2,302,207

Particulars of investments in unlisted equity securities held by the Group as at 31 December 2018 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Note 1: Unlisted equity securities, at fair value

Name of investee company	Place of incorporation	Proportion of investee's capital owned	Cost HK\$	Fair value HK\$	Accumulated fair value adjustment HK\$	Net assets attributable to the Company HK\$000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
At 31 December 2018								
China Investment Fund International Securities Limited ("CIFIS")	Hong Kong	15%	1,764,706	2,302,207	537,501	1,271	-	0.28%

Note: CIFIS is principally engaged in securities business in Hong Kong.

The above unlisted equity investments represent the Group's equity interest in a private entity established in Hong Kong. The Directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

During the year, the Company disposed of its 15% shareholding in CIHL to an independent third party in December 2018 for a consideration of HK\$15,000,000 and resulted in a realised gain on disposal of equity instruments at FVTOCI of HK\$14,850,118.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK\$	2017 HK\$
Unlisted equity securities, at fair value (note 1)		
Cost	-	77,975,000
Accumulated fair value adjustments	-	(34,949,701)
	-	43,025,299
Unlisted equity securities, at cost (note 2)		
Cost	-	149,939
Less: Impairment loss	-	-
	-	149,939
Total	-	43,175,238

Particulars of investments in unlisted equity securities held by the Group as at 31 December 2017 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Note 1: Unlisted equity securities, at fair value

Name of investee companies	Place of incorporation	Proportion of investee's capital owned	Fair value		Accumulated unrealised loss recognised	Net assets attributable to the Company	Dividend received/receivable during the year	% of gross assets of the Company
			Cost					
			HK\$	HK\$	HK\$	HK\$000	HK\$	
At 31 December 2017								
Galaxy Automotive MS Inc.	Republic of Vanuatu	29%	27,975,000	7,190,000	(20,785,000)	1,428	-	2.55%
Mountain Gold Holdings Inc.	Republic of Vanuatu	6.4%	50,000,000	35,835,299	(14,164,701)	35,835	-	12.69%
			77,975,000	43,025,299	(34,949,701)			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Note 2: Unlisted equity securities, at cost

Name of investee companies	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$	Carrying amount HK\$	Accumulated impairment loss recognised HK\$
At 31 December 2017						
China Investment Holdings Limited	Cayman Islands	15 (Class A)	15.00%	149,939	149,939	–

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$	2017 HK\$
Other prepayments	87,367	369,794
Rental and utility deposits	5,726,351	4,800,351
Deposits for registration of new cross boundary vehicle licence	–	824,092
Due from brokers (note a)	257,179,136	30,616,375
Other deposits and receivables	4,457,917	575,086
	267,450,771	37,185,698
Portion classified as non-current assets	(5,726,351)	(4,655,471)
	261,724,420	32,530,227

Note a: The balances represent the cash account balances in the brokers that are used for investing in securities and financial derivative contracts. The management of the Company monitor the credit risk on these brokers on a regular basis.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivable for which there was no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$	2017 HK\$
Financial assets mandatorily measured at FVTPL:		
Listed securities held for trading		
– Equity securities in Hong Kong (note (i))	216,704,800	14,724,600
– Equity securities in the PRC (note (i))	9,422,099	19,584,692
	226,126,899	34,309,292
Financial assets designated at FVTPL:		
– Unlisted option contracts in the PRC (note (ii))	–	6,125,592
	226,126,899	40,434,884

Note (i): Particulars of investments of listed equity securities held by the Group as at 31 December 2018 and 2017 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of investee companies	Place of incorporation	Particulars of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Accumulated unrealised gain (loss) recognised HK\$	Net assets attributable to the Company HK\$000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
At 31 December 2018									
Listed equity securities in Hong Kong									
Smartac Group China Holdings Limited (note a)	Cayman Islands	197,000,000	3.50%	40,310,886	177,300,000	136,989,114	4,257	–	21.68%
The Hong Kong and China Gas Company Limited (note b)	Hong Kong	620,000	Less than 0.01%	9,958,940	10,044,000	85,060	2,435	–	1.23%
Hong Kong Exchanges and Clearing Limited (note c)	Hong Kong	88,000	Less than 0.01%	19,874,840	19,940,800	65,960	2,623	–	2.44%
Tencent Holdings Limited (note d)	Cayman Islands	30,000	Less than 0.01%	8,967,960	9,420,000	452,040	807	–	1.15%
				79,112,626	216,704,800	137,592,174			
Listed equity securities in PRC									
Irico Display Devices Co., Ltd. (note e)	PRC	1,880,000	0.05%	18,797,786	9,422,099	(9,375,687)	10,693	–	1.15%
				97,910,412	226,126,899	128,216,487			
At 31 December 2017									
Listed equity securities in Hong Kong									
Zhidao International (Holdings) Limited	Cayman Islands	30,360,000	1.53%	38,248,211	14,724,600	(23,523,611)	6,827	–	5.21%
Listed equity securities in PRC									
Irico Display Devices Co., Ltd.	PRC	270,000	0.04%	2,320,906	2,337,334	16,428	616	–	0.83%
Tianma Bearing Group Co., Ltd.	PRC	800,022	0.07%	10,309,315	7,945,751	(2,363,564)	3,702	–	2.81%
Youngy Co., Ltd.	PRC	240,000	0.13%	12,639,198	9,301,607	(3,337,591)	1,130	–	3.29%
				25,269,419	19,584,692	(5,684,727)			
				63,517,630	34,309,292	(29,208,338)			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note (i): (continued)

A brief description of the business and financial information of the listed investee companies extracted from their latest published annual reports is as follows:

Notes:

- (a) Smartac Group China Holdings Limited ("Smartac") was incorporated in the Cayman Island and its shares are listed on the Main Board of Hong Kong Stock Exchange (stock code: 395). Smartac was principally engaged in (i) software sales and O2O consultation services; (ii) digital advertising platform and related solutions services and (iii) marketing strategy and management services in the operation of online shops on e-commerce platform.

For the year ended 31 December 2018, the audited consolidated loss attributable to owners of Smartac was approximately RMB56,688,000 and the basic loss per share was RMB1.17 cents. At 31 December 2018, its audited consolidated net assets value attributable to owners of Smartac was approximately RMB275,718,000. No dividend was received during the year.

- (b) The Hong Kong and China Gas Company Limited ("HK Gas") was incorporated in Hong Kong and its shares are listed on Main Board of Hong Kong Stock Exchange (stock code: 0003). HK Gas was principally engaged in the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the PRC.

For the year ended 31 December 2018, the audited consolidated profit attributable to shareholders of HK Gas was approximately HK\$9,312.8 million and the basic earnings per share was HK\$60.5 cents. At 31 December 2018, its audited consolidated net assets value attributable to HK Gas was approximately HK\$62,400.7 million. No dividend was received during the year.

- (c) Hong Kong Exchanges and Clearing Limited ("HK Exchanges") was incorporated in Hong Kong and its shares are listed on the Main Board of Hong Kong Stock Exchange (stock code: 388). HK Exchanges owns and operates the only stock exchange and futures exchange in Hong Kong and their related clearing houses, a clearing house for clearing over-the-counter derivatives contracts in Hong Kong, an exchange and a clearing house for the trading and clearing of base and precious metals futures and options contracts operating in the United Kingdom (UK), and a commodity trading platform in the Mainland.

For the year ended 31 December 2018, the audited consolidated profit attributable to shareholders of HK Exchanges was approximately HK\$9,312 million and the basic earnings per share was HK\$7.50. At 31 December 2018, its audited consolidated net assets value attributable to shareholders of HK Exchanges was approximately HK\$40,729 million. No dividend was received during the year.

- (d) Tencent Holdings Limited ("Tencent") was incorporated in the Cayman Islands and its shares are listed on the Main Board of Hong Kong Stock Exchange (stock code: 700). Tencent was principally engaged in the provision of value-added services and online advertising services to users in the PRC.

For the year ended 31 December 2018, the audited consolidated profit attributable to equity holders of Tencent was approximately RMB78,719 million and the basic earnings per share was RMB8.336. At 31 December 2018, its audited consolidated net assets value attributable to equity holders of Tencent was approximately RMB323,510 million. No dividend was received during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note (i): (continued)

Notes: (continued)

- (e) Irico Display Devices Co., Ltd. ("Irico Display") was incorporated in the PRC and its shares are listed on Shanghai Stock Exchange (stock code: 600707.SH). Irico was principally engaged in development, production and sale of electronic information display devices in China and Internationally.

For the year ended 31 December 2018, the audited consolidated profit attributable to owners of Irico Display was approximately RMB61,022,000 and the basic earnings per share was RMB0.02. At 31 December 2018, its audited consolidated net assets value attributable to owners of Irico Display was approximately RMB20,420,184,000. No dividend was received during the year.

The fair value of listed equity securities is based on their quoted closing prices in an active market.

Note (ii): Particulars of investments of unlisted option contracts held by the Group as at 31 December 2017 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of unlisted option contracts	Cost HK\$	Fair value HK\$	Accumulated unrealised loss recognised HK\$
At 31 December 2017			
Unlisted option contract (399006.SZ)	11,581,386	4,748,815	(6,832,571)
Unlisted option contract (159915.SZ)	3,357,432	1,376,777	(1,980,655)
	14,938,818	6,125,592	(8,813,226)

The fair value of unlisted option contracts are measured using the valuation technique in which the significant inputs are based on observable market data.

Financial assets at FVTPL are denominated in the following currencies:

	2018 HK\$	2017 HK\$
HKD	216,704,800	14,724,600
RMB	9,422,099	25,710,284
	226,126,899	40,434,884

20. CASH AND CASH EQUIVALENTS

	2018 HK\$	2017 HK\$
Bank balances and cash	304,217,191	138,446,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

20. CASH AND CASH EQUIVALENTS (CONTINUED)

At the end of the reporting period, cash and cash equivalents comprised mainly cash at banks and in hand. Bank balances carried interest at prevailing market rates ranging from 0.01% to 2.50% (2017: 0.01% to 1%) per annum.

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 entities:

	2018	2017
USD	USD5,443,726	USD603
RMB	RMB395,784	RMB84,780

21. ACCRUALS AND OTHER PAYABLES

	2018 HK\$	2017 HK\$
Accruals	4,525,127	2,235,377
Interest payables	8,906,360	3,159,177
Other payables	4,805,394	1,024,100
	18,236,881	6,418,654

22. BORROWINGS

	Notes	2018 HK\$	2017 HK\$
Interest-bearing loan notes, unsecured	(a)	42,277,817	42,234,394
Interest-bearing bonds, unsecured	(b)	346,312,418	178,167,349
Interest-bearing loans, unsecured	(c)	22,700,000	10,000,000
		411,290,235	230,401,743
Less: Amount classified as current liabilities		(210,944,796)	(122,790,000)
Amount classified as non-current liabilities		200,345,439	107,611,743
The carrying amounts of above borrowings are repayable:			
Within one year		210,944,796	122,790,000
More than one year but not exceeding two years		101,075,546	17,263,567
More than two years but not exceeding five years		89,277,095	38,257,921
More than five years		9,992,798	52,090,255
		411,290,235	230,401,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. BORROWINGS (CONTINUED)

Notes:

(a) Interest-bearing loan notes

The Company issued unsecured interest-bearing loan notes (the "Notes") to independent private investors through a placing agent in an aggregate principal amount of HK\$30,000,000 with effective dates from 29 April 2015 and 30 April 2015 which are repayable on dates falling 8 years from the dates of issue of the Notes, which are 28 April 2023 and 29 April 2023 and a principal amount of HK\$12,500,000 with effective date from 9 September 2015 which is repayable on a date falling 8 years from the date of issue of the Notes (the "Maturity Date"). The Company has the right at any time after the second year of the issue date of the Notes to the Maturity Date to redeem the whole or part of the outstanding Notes at the redemption amount with not less than 15 business days written notice, specifying the amount to be redeemed and the date of such redemption (the "Redemption Right"). But the noteholders have no right to require the Company to redeem the Notes before the Maturity Date.

The Notes carry interest at the fixed rate of 5% per annum payable semi-annually in arrears on 31 March and 30 September in each year ("Interest Payment Date"), provided that the first Interest Payment Date shall fall on 31 March 2016 and the final repayment of the interest shall be on the Maturity Date.

The Redemption Right is regarded as embedded derivatives in the host contract. The Redemption Right is not recognised in the consolidated financial statements since the redemption is at the discretion of the Company and the Directors consider that the probability of exercise of the Redemption Right is remote. The Directors have assessed the fair values of the Redemption Right at initial recognition and at the end of the reporting period and consider that the fair values were insignificant. Accordingly, the fair values were not accounted for in the consolidated financial statements as at 31 December 2018 and 2017.

The Notes are measured at amortised cost, using the effective interest method. The effective interest rates of the Notes range from 5.08% p.a. to 5.15% p.a.

The Notes recognised in the consolidated statement of financial position of the Group are calculated as follows:

	HK\$
At 1 January 2017	42,193,144
Effective interest expenses (note 8)	2,166,246
Interest paid/payables	(2,124,996)
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At 31 December 2017 and 1 January 2018	42,234,394
Effective interest expenses (note 8)	2,168,419
Interest paid/payables	(2,124,996)
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At 31 December 2018	42,277,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. BORROWINGS (CONTINUED)

Notes: (continued)

(b) Interest-bearing bonds

During the year ended 31 December 2018, the Company has issued and repaid unsecured interest-bearing bonds with aggregate principal amounts of HK\$469,824,284 and HK\$285,228,000 (2017: HK\$230,090,000 and HK\$54,000,000) respectively, which bear interest ranging from 0.36% p.a. to 18% p.a. (2017: 0.36% p.a. to 18% p.a.) and with maturity dates from three months to eight years (2017: from one hundred days to eight years).

The bonds recognised in the consolidated statement of financial position of the Group are calculated as follows:

	HK\$
At 1 January 2017	3,000,000
Issued during the year	229,095,500
Repaid during the year	(54,000,000)
Effective interest expenses (note 8)	6,265,341
Interest paid/payables	(6,193,492)
<hr/>	
At 31 December 2017 and 1 January 2018	178,167,349
Issued during the year	449,132,805
Repaid during the year	(285,228,000)
Effective interest expenses (note 8)	27,631,346
Interest paid/payables	(23,391,082)
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At 31 December 2018	346,312,418

(c) Interest-bearing loans

The Company had outstanding unsecured loans with principal amount in aggregate of HK\$22,700,000 (2017: HK\$10,000,000) from independent third parties, which bear interest at 1% per month and will mature within three months from the reporting date.

23. 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. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 HK\$	2017 HK\$
Deferred tax assets	3,237,878	–
Deferred tax liabilities	(22,702,710)	–
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	(19,464,832)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years.

	Unrealised gain on financial assets at FVTPL HK\$	Tax losses HK\$	Total HK\$
At 1 January 2017, 31 December 2017 and 1 January 2018	–	–	–
Charge (credit) to profit or loss (note 10)	22,702,710	(3,237,878)	19,464,832
At 31 December 2018	22,702,710	(3,237,878)	19,464,832

At the end of the reporting period, the Group has unused tax losses of approximately HK\$174,234,152 (2017: HK\$137,467,558) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$19,623,500 (2017: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$154,610,652 (2017: HK\$137,467,558) due to the unpredictability of future profit streams. All tax losses may be carried forward indefinitely.

24. SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each	Nominal value HK\$
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	4,000,000,000	200,000,000
Issued and fully paid:		
At 1 January 2017	1,107,020,000	55,351,000
Issue of shares under the Open Offer (Note a)	110,702,000	5,535,100
At 1 January 2018	1,217,722,000	60,886,100
Issue of shares under placement of shares (Note b)	19,000,000	950,000
At 31 December 2018	1,236,722,000	61,836,100

Notes:

- (a) On 26 April 2017, the Company announced that it proposed to raise not less than approximately HK\$62 million and not more than approximately HK\$66 million before expenses by issuing not less than 110,702,000 offer shares and not more than 117,792,552 offer shares at the subscription price of HK\$0.56 per offer share on the basis of one offer share for every ten existing shares held on the record date (the "Open Offer"). On 26 April 2017, the Company entered into an underwriting agreement with an underwriter (the "Underwriter") pursuant to which the Open Offer was fully underwritten by the Underwriter.

On 13 June 2017, upon completion of the Open Offer, the Company issued 110,702,000 new ordinary shares of HK\$0.05 each at a subscription price of HK\$0.56 for a total consideration, before related expenses, of approximately HK\$62 million. Details and results of the Open Offer were set out in the Company's announcements dated 27 April 2017 and 9 May 2017 and prospectus dated 19 May 2017.

- (b) On 27 September 2018, the Company issued 19,000,000 new ordinary shares at a subscription price of HK\$10.525 per subscription share for a total cash consideration of HK\$199,975,000. The premium on the issue of shares amounted to approximately HK\$193,226,000, net of share issue expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. RESERVES OF THE COMPANY

The Company

	Share premium HK\$	Share options reserve HK\$	Capital reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2017	326,543,395	19,132,609	–	(328,631,231)	17,044,773
Loss and total comprehensive expenses for the year	–	–	–	(116,127,537)	(116,127,537)
Issue of shares under the open offer	56,458,020	–	–	–	56,458,020
Share issue expenses	(750,000)	–	–	–	(750,000)
Forfeiture of advances from a shareholder	–	–	26,318,619	–	26,318,619
Recognition of equity-settled share-based payments	–	1,330,000	–	–	1,330,000
Share options lapsed	–	(10,737,055)	–	10,737,055	–
At 31 December 2017 and 1 January 2018	382,251,415	9,725,554	26,318,619	(434,021,713)	(15,726,125)
Loss and total comprehensive expenses for the year	–	–	–	100,811,873	100,811,873
Issue of shares under placement of shares	199,025,000	–	–	–	199,025,000
Share issue expenses	(5,799,275)	–	–	–	(5,799,275)
Share options lapsed	–	(115,805)	–	115,805	–
At 31 December 2018	575,477,140	9,609,749	26,318,619	(333,094,035)	278,311,473

26. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 June 2011. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 332,106,000, representing 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant without prior approval from the Company's shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. SHARE OPTION SCHEME (CONTINUED)

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 on the acceptance. Options may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board of Directors to each grantee but must not be exercised after the expiry of ten years from the date of grant of the option. There is no minimum period for which an option must be held or a performance target that must be achieved before an option can be exercised specified in the terms of the Scheme. However, the Board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer of the option which must be a business day, (ii) the average of the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the option, and (iii) the nominal value of the Share on the date of offer of the option.

The Scheme will remain in force for a period of 10 years commencing on 27 June 2011.

The following table disclosed details of the Company's options under the Scheme held by the directors, employees and other participants and the movements during the year ended 31 December 2018.

Grantee	Date of Grant	Adjusted exercise price (Note) HK\$	Exercisable period up to	At 1 January 2018 (Note)	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2018
<i>Executive Directors</i>									
Luk Hong Man, Hammond	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	5,300,000	-	-	-	-	5,300,000
Zhang Xi	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	5,300,000	-	-	-	-	5,300,000
<i>Non-executive Directors</i>									
Leung Ka Fai	15/11/2016	0.808	15/11/2026	3,000,000	-	-	-	-	3,000,000
Wang Mengtao	15/11/2016	0.808	15/11/2026	3,000,000	-	-	-	-	3,000,000
Ma Xiaoqiu	29/8/2017	2.250	29/8/2027	1,200,000	-	-	-	-	1,200,000
<i>Independent non-executive Directors</i>									
Jing Siyuan	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Zhang Aimin	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Zhang Qiang	15/11/2016	0.808	15/11/2026	800,000	-	-	-	-	800,000
Subtotal				21,753,194	-	-	-	-	21,753,194
Employees and other participants	17/6/2015	0.728	16/6/2025	776,596	-	-	-	-	776,596
	15/11/2016	0.808	15/11/2026	10,450,000	-	-	-	(500,000)	9,950,000
Total				32,979,790	-	-	-	(500,000)	32,479,790

For the year ended 31 December 2018, 500,000 share options lapsed, no options were granted, exercised and expired under the Scheme.

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For the year ended 31 December 2018

26. SHARE OPTION SCHEME (CONTINUED)

The following table disclosed details of the Company's options under the Scheme held by the directors, employees and other participants and the movements during the year ended 31 December 2017.

Grantee	Date of Grant	Adjusted exercise price (Note) HK\$	Exercisable period up to	At 1 January 2017 (Note)	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2017
<i>Executive Directors</i>									
Luk Hong Man, Hammond	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	10,459,656	-	-	-	(5,159,656)	5,300,000
Zhang Xi	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	10,459,656	-	-	-	(5,159,656)	5,300,000
<i>Non-executive Directors</i>									
Sui Guangyi	15/11/2016	0.808	15/11/2026	1,116,500	-	-	-	(1,116,500)	-
Leung Ka Fai	15/11/2016	0.808	15/11/2026	9,947,000	-	-	-	(6,947,000)	3,000,000
Wang Mengtao	15/11/2016	0.808	15/11/2026	9,947,000	-	-	-	(6,947,000)	3,000,000
Ma Xiaoqiu	29/8/2017	2.250	29/8/2027	-	1,200,000	-	-	-	1,200,000
<i>Independent non-executive Directors</i>									
Jing Siyuan	15/11/2016	0.808	15/11/2026	1,116,500	-	-	-	(316,500)	800,000
Zhang Aimin	15/11/2016	0.808	15/11/2026	1,116,500	-	-	-	(316,500)	800,000
Zhang Qiang	15/11/2016	0.808	15/11/2026	1,116,500	-	-	-	(316,500)	800,000
Subtotal				46,832,506	1,200,000	-	-	(26,279,312)	21,753,194
Employees and other participants	17/6/2015	0.728	16/6/2025	776,596	-	-	-	-	776,596
	15/11/2016	0.808	15/11/2026	24,360,000	-	-	-	(13,910,000)	10,450,000
Total				71,969,102	1,200,000	-	-	(40,189,312)	32,979,790

For the year ended 31 December 2017, 40,189,312 share options lapsed, 1,200,000 share options were granted and no options were exercised or expired under the Scheme.

27. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme ("MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employee are subject to a maximum contribution of HK\$1,500 per month with effect from 1 June 2014.

The employees of the Group's subsidiaries operating 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.

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28. RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key personnel during the year was as follows:

	2018 HK\$	2017 HK\$
Directors' fee	4,380,000	3,910,667
Salaries, allowances and other benefits	2,936,696	2,801,725
Discretionary bonuses	420,000	895,000
Retirement benefits scheme contributions	64,427	64,390
Equity-settled share-based payments	–	1,330,000
	7,801,123	9,001,782

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Investment management fee

On 4 July 2017, the Company and Fundamental Dynamics (HK) Limited (currently named as "Tianhe Quant Asset Management Limited") ("Tianhe"), a wholly-owned subsidiary of the Company, entered into an investment management agreement pursuant to which Tianhe shall act as the investment manager of the Company for the period up to 31 December 2019. Under the investment management agreement, the investment management fee payable to the investment manager was HK\$220,000 per month together with expenses reimbursement up to a maximum amount of HK\$1,390,000, HK\$2,840,000 and HK\$1,450,000 respectively for each of the years ending 31 December 2017, 2018 and 2019. The investment manager is defined as a connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. As Tianhe (the investment manager) is a wholly-owned subsidiary of the Company, the transaction with Tianhe is eliminated on consolidation and will not be considered a connected transaction under the Listing Rules.

(c) Transaction with a related party

During the year ended 31 December 2017, waiver of advance from a shareholder in an amount of HK\$65,157,684 was recognised as capital reserve under equity.

29. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	2018 HK\$	2017 HK\$
Within one year	6,438,632	8,137,636
In the second to fifty year inclusive	–	7,091,501
	6,438,632	15,229,137

Operating lease payments represent rental payables by the Group for its office premises. Leases are negotiated and fixed respectively for an average term of one to three years.

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30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure on a regular basis. As part of this review, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provided a reconciliation of the line items in the statement of financial position to the categories of financial instruments.

	2018 HK\$	2017 HK\$
Financial assets		
Fair value through profit or loss (FVTPL)		
Mandatorily measured at FVTPL		
– Held-for-trading	226,126,899	34,309,292
Designated at FVTPL	–	6,125,592
Financial assets at amortised cost	571,580,595	–
Equity instruments at FVTOCI	2,302,207	–
AFS financial assets	–	43,175,238
Loan and receivables (including cash and cash equivalents)	–	175,262,510
	800,009,701	258,872,632
Financial liabilities		
Amortised cost	429,527,116	236,820,397

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31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

(i) Equity price risk

The Group is exposed to equity price risk mainly through its investments in listed and unlisted equity securities and financial derivative contracts. The Group's strategy for the management of market risk is driven by the Group's investment objective. The Group's market risk is managed by the Board of Directors in accordance with policies and procedures in place. The Group's market positions are monitored on a monthly basis by the Board of Directors, and the investments in equity of other entities are Hong Kong listed financial assets. Decisions to buy or sell financial assets are based on daily monitoring of the performance of individual financial assets compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the financial assets, the Group maintains a portfolio of diversified investments in terms of industry distribution such as e-commerce & internet services and financial industry. In addition, the Group's management monitors the price risk and will consider hedging the risk exposure if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to financial assets price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate remained at 15% in the current year.

If financial assets prices had been 15% higher/lower (2017: 15%), profit for the year ended 31 December 2018 would increase/decrease by HK\$33,919,035 (2017: loss for the year would decrease/increase by HK\$6,065,233) which is mainly due to the changes in fair value of financial assets designated as held for trading. Also, if the fair value of the equity instruments at FVTOCI had increased/decreased by 15% (2017: AFS financial assets had increased/decreased by 15%) and all other variables were held constant, the FVTOCI/investment revaluation reserve would increase/decrease by HK\$345,331 (2017: HK\$6,453,795).

(ii) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Credit risk arises from contractual cash flows of financial assets at FVTPL, equity instrument at FVTOCI, financial assets at amortised cost and deposits with banks and financial institutions.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and which the Group considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase only when the securities have been received by broker. The Group reviews and monitors the credit concentration of investments on a regular basis.

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

Other than concentration of credit risk on liquid funds which are deposited with several banks and financial institutions with high credit ratings, the Group does not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's listed securities are considered readily realisable, as all such securities are listed on the Stock Exchange.

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

	On demand/ within 12 months HK\$	1-2 years HK\$	2-5 years HK\$	Over 5 years HK\$	Total undiscounted cash flow HK\$	Carrying amount HK\$
2018						
Non-derivative financial liabilities						
Accruals and other payables	18,236,881	–	–	–	18,236,881	18,236,881
Borrowings	220,572,129	126,503,529	104,540,000	14,425,380	466,041,038	411,290,235
	238,809,010	126,503,529	104,540,000	14,425,380	484,277,919	429,527,116
2017						
Non-derivative financial liabilities						
Accruals and other payables	6,418,654	–	–	–	6,418,654	6,418,654
Borrowings	128,836,127	19,845,699	53,100,000	57,300,000	259,081,826	230,401,743
	135,254,781	19,845,699	53,100,000	57,300,000	265,500,480	236,820,397

(iv) Interest rate risk

The Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's exposure to risk of changes in market interest rates primarily related to the Group's interest-bearing bank deposits with floating rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iv) Interest rate risk (continued)

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 changes in interest rates.

If interest rates had been 100 basis points (2017: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would increase/decrease by HK\$3,042,172 (2017: loss for the year would decrease/increase by HK\$1,384,151). This is mainly attributable to the Group's exposure to interest rates on its interest-bearing bank deposits.

(v) Foreign currency risk

The functional currency of the Group is HK\$ in which most of the transactions are denominated. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have any foreign currency hedging policy. However, the management will closely monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	ASSETS	
	2018	2017
	HK\$	HK\$
Renminbi ("RMB")	16,892,246	26,393,492
United States dollars ("USD")	42,894,414	4,671

Sensitivity analysis

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HK\$ and USD against HK\$, the effects in profit (loss) for the year are as follows:

	Impact of USD		Impact of RMB	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Increase/decrease in profit for the year (2017: Decrease/increase in loss for the year)	2,144,721	234	844,612	1,318,889

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For the year ended 31 December 2018

31. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Fair value hierarchy

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2018				
Financial assets at FVTPL (note a)				
– Listed equity securities	226,126,899	–	–	226,126,899
Equity instruments at FVTOCI (note b)	–	–	2,302,207	2,302,207
Total	226,126,899	–	2,302,207	228,429,106
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2017				
AFS financial assets				
– Unlisted equity securities (note b)	–	–	43,025,299	43,025,299
Financial assets at FVTPL				
– Listed equity securities (note a)	34,309,292	–	–	34,309,292
– Unlisted option contracts (note c)	–	6,125,592	–	6,125,592
	34,309,292	6,125,592	–	40,434,884
Total	34,309,292	6,125,592	43,025,299	83,460,183

Notes:

- The fair value of listed equity securities classified as Level 1 is determined by the closing price quoted in an active market.
- The fair value of unlisted equity securities classified as Level 3 is determined by management's valuation assessment with reference to the valuation reports provided by respective independent valuers.
- The fair value of unlisted option contracts are measured using valuation technique in which all significant inputs are based on observable market data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

Fair value hierarchy (continued)

The following table summarises the quantitative information about the significant unobservable input used in Level 3 fair value measurement and the valuation techniques adopted.

	2018 HK\$	2017 HK\$	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
Equity instrument at fair value through OCI							
Unlisted equity instrument	2,302,207	–	Level 3	Market approach	Discount for lack of marketability	52%	The higher the discount for lack of marketability, the lower the fair value
<i>AFS financial assets</i>							
Unlisted equity securities in Galaxy Automotive MS Inc.	–	7,190,000	Level 3	Income approach	Free cash flow	N/A	The higher the free cash flow, the higher the fair value
					Discount rate	13.2%	The higher the discount rate, the lower the fair value
					Discount for lack of marketability	11.4%	The higher the discount for lack of marketability, the lower the fair value
Unlisted equity securities in Mountain Gold Holdings Inc.	–	35,835,299	Level 3	Market approach	Spot gold price	US\$1,307/oz	The higher the gold price, the higher the fair value

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For the year ended 31 December 2018

31. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

Fair value hierarchy (continued)

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

31 December 2018

	Equity instruments at FVTOCI HK\$
Opening balance	–
Adjustments for HKFRS 9 (note 2)	43,175,238
Disposals	(43,175,238)
Purchases	1,764,706
Fair value gain recognised in other comprehensive income	537,501
Closing balance	2,302,207

31 December 2017

	Unlisted AFS equity securities HK\$
Opening balance	54,495,714
Fair value loss recognised in other comprehensive income	(11,470,415)
Closing balance	43,205,299

Included in other comprehensive income is an amount of HK\$537,501 gain (2017: HK\$13,193,675 loss) relating to unlisted equity securities classified as equity instruments at FVTOCI (2017: AFS financial assets) held at the end of the current reporting period and is reported as changes of 'FVTOCI reserve'.

During the years ended 31 December 2018 and 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

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For the year ended 31 December 2018

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable from financing activities	Borrowings	Advance from a shareholder	Total
	HK\$	HK\$	HK\$	HK\$
At 1 January 2017	531,249	45,193,144	26,318,619	72,043,012
Changes from financing cash flows:				
Raised	–	256,597,177	38,839,065	295,436,242
Repayment	–	(71,500,000)	–	(71,500,000)
Forfeiture of a loan	–	–	(65,157,684)	(65,157,684)
Other changes:				
Interest expenses	9,107,416	111,422	–	9,218,838
Interest paid	(6,479,488)	–	–	(6,479,488)
At 31 December 2017 and 1 January 2018	3,159,177	230,401,743	–	233,560,920
Changes from financing cash flows:				
Raised	–	497,832,805	–	497,832,805
Repayment	–	(321,228,000)	–	(321,228,000)
Other changes:				
Interest expenses	27,881,010	4,283,687	–	32,164,697
Interest paid	(22,133,827)	–	–	(22,133,827)
At 31 December 2018	8,906,360	411,290,235	–	420,196,595

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33. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

The Group acquired the entire interests in Fundamental Dynamics (HK) Limited ("Fundamental Dynamics") (currently named as Tianhe Quant Asset Management Limited). The acquisition was completed on 22 June 2017.

Tianhe Quant Asset Management Limited is principally engaged in holding of a type 9 regulated activity licence issued by the Hong Kong Securities and Futures Commission.

In the opinion of the directors, the acquisition is in substance an acquisition of an intangible asset, instead of acquisition of business and therefore is excluded from the scope of HKFRS 3 "Business Combination". Therefore, the acquisition is not disclosed as a business combination in accordance with the requirements of HKFRS 3.

The assets and liabilities acquired through the transaction are as follows:

	HK\$
Intangible assets (note 16)	6,616,124
Deposits and other receivables	120,020
Cash and bank balances	320,542
Accruals and other payables	(56,686)
Total consideration satisfied by cash	7,000,000
Net cash outflows arising from acquisitions	6,679,458

34. NET GAIN (LOSS) ON DISPOSALS OF SUBSIDIARIES

Disposal of subsidiaries

During the year ended 31 December 2018, the Group disposed of its entire equity interest in Grand Dragon Investment Development Limited together with its subsidiaries, Radiant Top Limited and China Investment Fund International Securities Limited, More Best Inc Limited, China Investment Fund International Currency Exchange Limited and China Investment Fund Financial Advisory Limited to independent third parties for an aggregate consideration of HK\$110,355,200, resulting in a gain on disposal of HK\$67,214,139.

The aggregate net assets of the subsidiaries at the date of disposal were as follows:

	HK\$
Equity instrument at FVTOCI	43,025,299
Cash and cash equivalents	10,115,762
Other payable	(10,000,000)
Net assets disposal of	43,141,061
Total considerations	(110,355,200)
Net gain on disposals	67,214,139

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34. NET GAIN ON DISPOSALS OF SUBSIDIARIES (CONTINUED)

Disposal of subsidiaries (continued)

An analysis of net inflows of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK\$
Net cash inflow arising on disposal:	
Cash consideration received	110,355,200
Cash and cash equivalents disposed of	(10,115,762)
	100,239,438

During the year 2017, the Group disposed of its entire equity interest in Ace Provision Limited together with its subsidiaries to an independent third party for an aggregate consideration of HK\$12,106,000, resulting in a loss on disposal of HK\$9,629,023.

The aggregate net assets of the subsidiaries at the date of disposal were as follows:

	HK\$
AFS financial assets	2,193,240
Cash and cash equivalents	369,178
Financial assets at FVTPL	8,389,100
Net assets disposal of	10,951,518
Release of investment revaluation reserve	10,783,505
	21,735,023
Total consideration	(12,106,000)
Net loss on disposal	9,629,023

An analysis of net inflows of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK\$
Net cash inflow arising on disposal:	
Cash consideration received	12,106,000
Cash and cash equivalents disposed of	(369,178)
	11,736,822

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34. NET GAIN ON DISPOSALS OF SUBSIDIARIES (CONTINUED)

Deemed disposal of subsidiaries

On 27 July 2017, the Company acquired one ordinary share with a par value of US\$1.00 of its subsidiary, China Investment Holdings Limited ("CIH Limited"), representing 100% equity interest of CIH Limited. With the issuance of CIH Limited's shares to an independent external party in August 2017, the Group's equity interest in CIH Limited eventually was diluted from 100% to 15%, resulting in a loss in control over CIH Limited and its subsidiaries and their financial results will no longer be consolidated into the consolidated financial statements of the Group. The loss on deemed disposal of CIH Limited and its subsidiaries was HK\$848,993.

Analysis of assets and liabilities over which control was lost was as follows:

	HK\$
Other receivables	998,815
Net assets disposal of:	998,815
Fair value of investment retained	(149,822)
Net loss on deemed disposals	848,993

There was no inflow or outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries.

Deregistration of subsidiaries

During the year ended 31 December 2017, the Group deregistered one dormant subsidiary ,Beautiful Smile Holdings Limited, which was incorporated in Vanuatu. There was no gain or loss arising from the deregistration.

35. LITIGATIONS

A Writ of Summons with an Indorsement of Claim dated 29 March 2016 has been issued in the High Court of Hong Kong in High Court action 796 of 2016 by Yang Yan as plaintiff against the Company and Grand Dragon Investment Development Limited ("Grand Dragon") as defendants whereby the plaintiff is claiming against the defendants for the forfeiture of deposit for HK\$10,000,000 paid by the defendants in relation to the defendants' failure to commence the process of due diligence of the target Company, despite repeated requests, and thus has wrongfully repudiated the agreement. Grand Dragon was disposed of in March 2018 and is no longer part of the Group. The Company and Grand Dragon have counterclaimed against the plaintiff (which action has been consolidated with HCA 796 of 2016) for, inter alia, an order for the return of the payment of HK\$10,000,000 to the defendants. The parties have recently agreed the procedural timetable for the matter to proceed to trial, and the parties will exchange Lists of Documents shortly. The Company intends to continue to strenuously defend the above proceedings.

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For the year ended 31 December 2018

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Interests in subsidiaries

	2018 HK\$	2017 HK\$
Unlisted shares, at cost	8,063,101	7,004,200
Impairment loss recognised	-	-
	8,063,101	7,004,200
Amounts due from subsidiaries	280,018,676	184,004,614
Impairment loss recognised	(67,107,111)	(110,851,111)
	212,911,565	73,153,503
Amounts due to subsidiaries	(105,655,982)	(1,075,929)
Loans to subsidiaries	414,203,992	94,746,210
Impairment loss recognised	(1,505,288)	(1,505,288)
	412,698,704	93,240,922

Notes:

- (a) Loans to subsidiaries are unsecured and repayable on demand. Interest is charged on the outstanding balance at 8% p.a. (2017: 5% p.a.).
- (b) Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed term of repayment.

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2018	2017	2018	2017	
Ace Innovator Limited	Republic of Vanuatu	US\$100	100%	100%	-	-	Investment holdings
China Investment Fund International Financial Group Limited	Hong Kong	HK\$100	100%	100%	-	-	Investment holdings
Deluxe Century Limited	Republic of Seychelles	US\$100	100%	100%	-	-	Investment holdings
Enrich Bloom Limited	Republic of Seychelles	US\$100	-	-	100%	100%	Investment holdings
Eternity Sky Limited	British Virgin Islands	US\$100	-	-	100%	100%	Investment holdings

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36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2018	2017	2018	2017	
Ever Gain Inc Limited	Hong Kong	HK\$100	100%	100%	–	–	Investment holdings
Final Destination Limited	British Virgin Islands	US\$100	–	–	100%	100%	Investment holdings
First Peak Investment Limited	Hong Kong	HK\$100	–	–	100%	100%	Investment holdings
Flying Goddess Limited	British Virgin Islands	US\$100	100%	100%	–	–	Investment holdings
Foundation Tide Limited	Hong Kong	HK\$10,000	–	–	100%	100%	Holding a cross-boundary vehicle license
Globe Golden Rich Limited	Hong Kong	HK\$100	–	–	100%	100%	Investment holdings
Golden Trend China Limited	Hong Kong	HK\$100	–	–	100%	100%	Investment holdings
Good Charm Inc Limited	Hong Kong	HK\$100	–	–	100%	100%	Holding a motor vehicle
Growth Achieved Limited	Republic of Seychelles	US\$100	–	–	100%	100%	Inactive
Hong Kong Golden Day Investment Limited	Hong Kong	HK\$100	–	–	100%	100%	Inactive
Hong Kong Toprich Investment Limited	Hong Kong	HK\$100	–	–	100%	100%	Securities investment
Karlingford Dyeing & Finishing Limited	Hong Kong	HK\$500,000	–	–	100%	100%	Holding a cross-boundary vehicle license
Kingdom Stage Limited	Republic of Seychelles	US\$100	–	–	100%	100%	Investment holdings
Mass Bridge Limited	Republic of Seychelles	US\$100	100%	100%	–	–	Investment holdings
Profit Winner Investment Holdings Limited	Republic of Seychelles	US\$100	–	–	100%	100%	Investment holdings
Super Star Investment Holdings Limited	Republic of Seychelles	US\$100	100%	100%	–	–	Investment holdings
Tianhe Quant Asset Management Limited	Hong Kong	HK\$2,117,602	100%	100%	–	–	Investment management

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36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2018	2017	2018	2017	
Ultimate Everfield Limited	Republic of Seychelles	US\$100	-	-	100%	100%	Investment in financial derivative contracts
Ultra Brave Company Limited	Republic of Vanuatu	US\$100	-	-	100%	100%	Inactive
Well Shine Inc Limited	Hong Kong	HK\$100	-	-	100%	100%	Holding a motor vehicle
中投發展（深圳）投資諮詢有限公司	PRC	(Note a)	100%	100%	-	-	Investment in listed securities and financial derivative contracts
深圳華創金盛投資諮詢有限公司	PRC	(Note a)	-	-	100%	100%	Inactive
深富盛創（深圳）貿易有限公司	PRC	(Note a)	-	-	100%	100%	Inactive
金創中海（深圳）供應鏈管理有限公司	PRC	(Note a)	-	-	100%	100%	Inactive

Note a: The companies have no fully-paid capital as at 31 December 2018 and 2017.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

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37. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2018 HK\$	2017 HK\$
Non-current assets		
Investments in subsidiaries	8,063,101	7,004,200
Property, plant and equipment	6,353,087	11,218,465
Available-for-sale financial assets	–	117
Rental deposits	5,726,351	4,655,471
	20,142,539	22,878,253
Current assets		
Prepayments, deposits and other receivables	3,494,677	2,491,566
Loans to subsidiaries	412,698,704	93,240,922
Amounts due from subsidiaries	212,911,565	73,153,503
Cash and cash equivalents	220,726,431	103,058,841
	849,831,377	271,944,832
Current liabilities		
Accrual and other payables	17,380,126	18,185,438
Amounts due to subsidiaries	101,155,982	1,075,929
Borrowings	210,944,796	122,790,000
	329,480,904	142,051,367
Net current assets	520,350,473	129,893,465
Total assets less current liabilities	540,493,012	152,771,718
Non-current liabilities		
Borrowings	200,345,439	107,611,743
Net assets	340,147,573	45,159,975
Capital and reserves		
Share capital (note 24)	61,836,100	60,886,100
Reserves (note 25)	278,311,473	(15,726,125)
Total equity	340,147,573	45,159,975

Luk Hong Man, Hammond
Executive Director

Zhang Xi
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the date of the Company's results announcement, on 18 March 2019, the Company announced that:

- on 8 March 2019, the SFC informed the Company its decision to exercise its power under section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571V) ("SF(SML)R") to direct the Stock Exchange to suspend trading in the shares of the Company;
- on 8 March 2019, the SFC visited the premises of the Company with a search warrant for the purpose of obtaining documents and information in relation to an investigation and seized certain documents; and
- there have been no charges laid or arrests made in connection with the execution of the search warrant.

The Directors of the Company consider that as at the Latest Practicable Date the Group's operations have not been materially adversely affected by the above and there have been no material impacts on the financial performance and position and disclosure in the Group's consolidated financial statements.

39. COMPARATIVE FIGURES

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

FIVE YEARS GROUP FINANCIAL SUMMARY

	2018 HK\$	For the year ended 31 December			
		2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$
Results					
Revenue	36,612,338	12,563	572,162	840,901	899,371
Profit (loss) before tax	148,021,126	(155,077,211)	(123,448,276)	(92,697,731)	(35,599,436)
Income tax expense	(19,464,832)	–	–	–	–
Profit (loss) for the year attributable to owners of the Company	128,556,294	(155,077,211)	(123,448,276)	(92,697,731)	(35,599,436)
Assets and Liabilities					
Total assets	817,813,012	282,369,245	149,032,730	290,251,843	138,204,149
Total liabilities	(448,991,948)	(236,820,397)	(73,734,435)	(45,934,840)	(796,074)
	368,821,064	45,548,848	75,298,295	244,317,003	137,408,075
Share capital	61,836,100	60,886,100	55,351,000	55,351,000	38,256,000
Reserves	306,984,964	(15,337,252)	19,947,295	188,966,003	99,152,075
Equity attributable to owners of the Company	368,821,064	45,548,848	75,298,295	244,317,003	137,408,075
Earnings (loss) per share					
– Basic (HK cents)	10.51	(13.09)	(10.99)	(10.12)	(4.65)
– Diluted (HK cents)	10.24	(13.09)	(10.99)	(10.12)	(4.65)