SFUND INTERNATIONAL HOLDINGS LIMITED
廣州基金國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1367)

2018
Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Qing *(Chairman) (Appointed on 15 January 2019)*
Mr. Jia Bowei *(Chairman) (Resigned on 15 January 2019)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Liu Zhijun
Ms. Yi Sha
Ms. Wang Mengsu *(Appointed on 15 January 2019)*
Mr. Hon Ming Sang
Mr. Wong Nga Leung *(Resigned on 15 January 2019)*

Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

AUDIT COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

REMUNERATION COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

NOMINATION COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

CORPORATE GOVERNANCE COMMITTEE (previously known as Compliance Committee)

Mr. Lam Kwan Sing *(Chairman)*
Mr. Hon Ming Sang
Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong
Mr. Jia Bowei *(Resigned on 15 January 2019)*
Mr. Wong Nga Leung *(Resigned on 15 January 2019)*

COMPANY SECRETARY

Mr. Hon Ming Sang

AUTHORISED REPRESENTATIVES

Mr. Lam Kwan Sing
Mr. Hon Ming Sang

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 904-5
9/F., Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04
33/F., Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Ernst & Young
Certified Public Accountants
22/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

WEBSITE

www.1367.com.hk

STOCK CODE

1367

Financial Summary

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**137,744**	259,106	365,750	355,952	334,819
Gross profit	**33,543**	46,309	60,447	59,449	54,408
Loss before tax	**(97,099)**	(43,192)	(3,438)	(4,378)	(16,803)
Income tax	**(1,898)**	(806)	(2,089)	(989)	(1,036)
Loss for the year	**(98,997)**	(43,998)	(5,527)	(5,367)	(17,839)

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**310,778**	248,782	184,824	184,516	193,111
Total liabilities	**305,280**	141,390	54,285	48,087	51,010
Net assets	**5,498**	107,392	130,539	136,429	142,101

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of SFund International Holdings Limited (the "Company"), I am pleased to present to you the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

RESULTS OF THE GROUP

During the financial year under review, the Group recorded a revenue of approximately HK$137.7 million (2017: HK$259.1 million), representing a decrease by 46.8% as compared to last year. The decrease was mainly due to the net effect of (i) a decrease in revenue derived from apparel supply chain management services business of approximately 58.2% due to significant decrease in the Group's sales in the USA because of the loss of significant customers; (ii) an unrealised loss on an investment in listed equity investment at fair value through profit and loss of approximately HK$6 million (2017: an unrealised loss of approximately HK$3.3 million), which was arising from the Group's securities investment business segment; (iii) an increase in revenue derived from money lending business to approximately HK$20.4 million (2017: HK$2.4 million); and (iv) an increase in revenue derived from financial services business of HK$15.7 million (2017: HK$2.6 million), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China and Hong Kong.

The net loss attributed to the parent of the Company for the year ended 31 December 2018 amounted to approximately HK$101.3 million (2017: HK$44.2 million), resulted in a basic loss per share for the year ended 31 December 2018 of HK21.10 cents (2017: basic loss per share of HK9.20 cents), representing an increase in loss attributed to the shareholders of the Company (the "Shareholders") by 129.4%. The increase in loss was resulted from the effects of (i) decrease in revenue as described above; (ii) increase in administrative expenses to approximately HK$120.2 million (2017: HK$86.5 million), which was mainly attributable to the increase in staff costs to approximately HK$66.2 million (2017: HK$49.7 million) and increase in legal and professional fees paid for arrangement of loan transactions and other transactions during the year, amounting to approximately HK$5.0 million (2017: HK$4.7 million); and (iii) increase in finance costs to approximately HK$21 million (2017: HK$1.8 million), being the interest expenses in respective of bonds issued and bank and other borrowings during the year.

BUSINESS OVERVIEW AND PROSPECT

The Group provides apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and accessories. This includes sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers to meet their needs along the apparel supply chain. Revenue is derived primarily from the sale of apparel products it procures for its customers.

Chairman's Statement

During the year, due to the significant decrease in Group's sales in the United States of America (the "USA") because of the stagnant apparel retail market, we had experienced a challenging year in apparel supply chain management services business segment with a decreasing revenue and gross profit of the financial year. We are still exploring other alternatives to develop markets in other geographical regions such as Europe so as to diversify our customer base. We are striving to maintain our competitiveness through competitive pricing strategy and shorter delivery time of the sales orders. Besides, diversification of customer base to other countries such as Europe and the People's Republic of China (the "PRC") are being sought. We also keep on enhancing the ERP system through internal development and outsourcing to further strengthen our relationship with supply chain partners to improve efficiency.

Regarding the Group's financial services business in January 2018, 湖南匯垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd*) ("Hunan Huiyin Tianxing"), a company incorporated in the PRC and a non-wholly owned subsidiary of the Group, had acquired 49% equity interests in 湖南國開鐵路建設私募基金管理有限公司 (Hunan Guokai Railway Development Private Equity Fund Management Company Limited*) ("Hunan Guokai") from an independent third party for a consideration of RMB1,450,000 and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is 湖南軌道交通控股集團有限公司 (Hunan Rail Transit Holding Group Co., Ltd.*) ("Hunan Rail"), an independent third party. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Hunan Guokai is engaged in the management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services. The Railway Fund is currently the only policy-driven fund in Hunan Province that invests in railway infrastructure and is primarily engaged in the investment of railway projects run on a public-private partnership basis in Hunan Province involving land acquisition and relocation. The Railway Fund has a target fund size of RMB10 billion and has asset under management of approximately RMB1 billion.

Regarding the Group's money lending business, during the year, the Group had entered into two loan agreements ("The Loans") with two independent third parties to grant a total loan principal amount of HK$220,000,000 to the respective borrowers. The Loans were still outstanding as at 31 December 2018 with an aggregate outstanding loan principal of HK$120,000,000. We believe that the money lending business segment can bring a stable revenue stream to the Group and effectively diversify our business.

We are confident with the future development of the Hong Kong stock market and our financial services business, including but not limited to money lending, asset management, fund management, financial advisory and brokerage service, and we plan to further increase in the scale of our financial services business and will actively invest in the capital market with a dynamic portfolio according to the changing market conditions. We will also look into potential investees in the financial service platform to diversify our financial services business and achieve synergy effect.

Chairman's Statement

APPRECIATION

Finally, on behalf of the Board, I would like to express my sincere gratitude to all Shareholders, investors, bankers, business associates and customers for their great support and trust, and to our Directors, management and staff for their invaluable contributions to the Group over the past year. The Group will also actively develop its own businesses to achieve fabulous returns for our Shareholders.

Li Qing
Chairman

Hong Kong, 25 March 2019

Management Discussion and Analysis

BUSINESS REVIEW

The Group was principally engaged in (i) apparel supply chain management services business; (ii) financial services business; (iii) money lending business; and (iv) securities investment during the year.

Apparel Supply Chain Management Services Business

The Group provides apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and accessories. This includes sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers to meet their needs along the apparel supply chain. Revenue is derived primarily from the sale of apparel products it procures for its customers.

Our major customers in the USA are mainly department and specialty stores. Because of change in their sourcing strategies or weak sales in the USA market, our revenue decreased by approximately 58.2% from HK$257,466,000 for the year ended 31 December 2017 to HK$107,652,000 for the year ended 31 December 2018. Gross profit margin decreased by 13.4% percentage from 17.3% to 3.9%, and hence gross profit decreased by approximately 90.6% from HK$44,669,000 to HK$4,207,000 in the current year.

The manufacturing environment remained to be concentrated in Cambodia and the PRC. Besides, the strengthening of United States dollars ("US$") against Renminbi ("RMB") also helped to stabilize the material costs.

Overheads increased during the year as a result of the corporate transformation to incorporate IT into the supply chain management process. The Group incurred a loss before tax on apparel operation amounting to HK$50,534,000.

Financial Services Business

During the year, the Group carried out financial services business through its subsidiaries including Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") in Hong Kong as well as equity interests investment management, investment consultancy services, investment management services, entrusted management of equity interests investment fund and corporate management consultancy services in the People's Republic of China (the "PRC").

Management Discussion and Analysis

In January 2018, 湖南匯垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd*) ("Hunan Huiyin Tianxing"), a company incorporated in the PRC and a non-wholly owned subsidiary of the Group, entered into a sales and purchase agreement to acquire 49% equity interests in 湖南國開鐵路建設私募基金管理有限公司 (Hunan Guokai Railway Development Private Equity Fund Management Company Limited*) ("Hunan Guokai") from an independent third party for a consideration of RMB1,450,000, and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is 湖南軌道交通控股集團有限公司 (Hunan Rail Transit Holding Group Co., Ltd.*) ("Hunan Rail"), an independent third party. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Established in August 2015, Hunan Guokai is engaged in the management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services. At the date of this report, Hunan Guokai manages the 湖南國開鐵路建設私募基金合夥企業（有限合夥）(Hunan Guokai Railway Development Private Equity Fund (Limited Partnership)*) ("Railway Fund") as its general partner. The Railway Fund is currently the only policy-driven fund in Hunan Province that invests in railway infrastructure and is primarily engaged in the investment of railway projects run on a public-private partnership basis in Hunan Province involving land acquisition and relocation. The Railway Fund has a target fund size of RMB10 billion and has asset under management of approximately RMB1 billion. The acquisition of Hunan Guokai was completed in July 2018. Details of the acquisition is set out in the Company's announcement dated 1 February 2018.

During the year, revenue amounting to HK$15,685,000 (2017: HK$2,576,000) mainly consisted of management service income from Hunan Huiyin Tianxing and Type 9 licensed company. The operating loss generated in this segment were HK$563,000 (2017: operating loss of HK$1,196,000), which was mainly attributable to the fund management operation in Hong Kong.

Money Lending Business

The Group engaged in the money lending business through Capital Strategic Partners Limited ("Capital Strategic"), an indirect wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. During the year, the interest income and operating profit generated in this segment were HK$20,423,000 (2017: HK$2,354,000) and HK$15,115,000 (2017: operating profit of HK$57,000), respectively.

As at 31 December 2018, there were three transactions of loan advanced to customers. The loans were still outstanding as at 31 December 2018 with an aggregate outstanding loan principal of HK$131,265,000. The increase in interest income as well as increase in operating profit in this segment was due to the increase in loan advanced to customers.

Management Discussion and Analysis

On 24 November 2017, Capital Strategic entered into a loan agreement with Yuan Heng Gas Holdings Limited ("Yuan Heng"), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 332). Pursuant to the loan agreement, Capital Strategic agreed to grant to Yuan Heng a loan of HK$180,000,000 ("Original Facility") for a term of 6 months from the date of the drawdown, which was 25 January 2018, and could be further extended for another 6 months with written consent of Capital Strategic (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The loan is secured by the charge over the entire issued share capital of an indirect wholly-owned subsidiary of Yuan Heng and the floating charge over all or any part of the property and/or assets of an indirect wholly-owned subsidiary of Yuan Heng in favour of Capital Strategic. Yuan Heng had repaid HK$100,000,000 of the Original Facility to Capital Strategic by 6 August 2018.

Subsequently in January 2019, Capital Strategic and Yuan Heng entered into the supplemental agreement pursuant to extend the maturity date of the remaining HK$80,000,000 of the Original Facility to 25 July 2019 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The loan continues to be secured by the share charge and the floating charge.

Further details of the transaction is also set out in the Company's announcements dated 24 November 2017, 25 January 2018 and 25 January 2019 and circular dated 22 December 2017, respectively. The transaction was completed on 25 January 2018 and the loan is still outstanding as at 31 December 2018.

On 14 February 2018, Capital Strategic entered into another loan agreement with China-HK Holdings Investment Limited ("China-HK"), a company incorporated in Hong Kong with limited liability, pursuant to which Capital Strategic had agreed to provide a loan facility to the China-HK in the principal amount of HK$40,000,000 for a term of 6 months from the dates of the relevant drawdown, which could be further extended upon the request of China-HK and subject to agreement of Capital Strategic in writing. The loan is secured by the charge over the entire issued share capital of Wide Merit Limited and 2 wholly-owned subsidiaries of China-HK. On 14 August 2018, Capital Strategic and China-HK entered into a supplemental loan agreement to extend the repayment date to 14 February 2019. Further details of the transaction is set out in the Company's announcements dated 14 February 2018 and 14 August 2018. The loan is still outstanding as at 31 December 2018.

Management had formulated a fundamental policy to establish its internal control systems. The Group would adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer to maximise the return of the money lending business as well as diversify the credit risk.

Securities Investment

During the year, the Group carried out the Group's investment business in securities investment.

During the year, the revenue arising from this segment was negative revenue of HK$6,016,000 (2017: negative revenue of HK$3,290,000). Revenue was attributable to the net unrealised loss on listed securities investment of HK$6,016,000 (2017: net unrealised loss of HK$3,290,000). No realised gain or loss on listed securities investment was noted during the year ended 31 December 2018.

Management Discussion and Analysis

The overall performance of the securities investment business recorded a loss of HK$6,022,000 for the year ended 31 December 2018 (2017: loss of HK$3,299,000), which was primarily attributable to the unrealised loss on securities investment stated above. As at 31 December 2018, the market value of the Group's listed securities portfolio was HK$1,222,000 (31 December 2017: HK$7,238,000).

The Group is currently looking into other investment opportunities including private equities, debt securities, derivatives and funds. The management plans to revise its investment strategies and formulate new investment policies in the near future.

FINANCIAL REVIEW

During the year under review, the Group has diversified its operations into four segments, being

(a) apparel supply chain management services;

(b) financial services;

(c) money lending; and

(d) securities investment.

Financial results from the Group's operations are summarised as follows:

Revenue

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the year ended 31 December 2018 is as follows:

- Apparel supply chain management services business: HK$107,652,000, 78.2% of revenue (2017: HK$257,466,000, 99.3%)

- Financial services business: HK$15,685,000, 11.4% of revenue (2017: HK$2,576,000, 1.0%)

- Money lending business: HK$20,423,000, 14.8% of revenue (2017: HK$2,354,000, 1.0%)

- Securities investment: negative revenue of HK$6,016,000, -4.4% of revenue (2017: negative revenue of HK$3,290,000, –1.3%)

Management Discussion and Analysis

Revenue by Geographical Segments

Ratio analysis by geographical segments for the Group's revenue for the year ended 31 December 2018 is as follows:

- USA: HK$102,131,000, 74.1% of revenue (2017: HK$252,489,000, 97.4%)
- Mainland China: HK$16,503,000, 12.0% of revenue (2017: HK$5,052,000, 2.0%)
- Hong Kong: HK$14,679,000, 10.7% of revenue (2017: -HK$757,000, -0.3%)
- Other countries: HK$4,431,000, 3.2% of revenue (2017: HK$2,322,000, 0.9%)

The Group's revenue for the year ended 31 December 2018 was HK$137,744,000, being a decrease of HK$121,362,000 when compared to the corresponding period last year of HK$259,106,000. The decrease was mainly due to the net effect of (i) a decrease in revenue derived from apparel supply chain management services business to HK$107,652,000 (2017: HK$257,466,000) due to the significant decrease in the Group's sales in the USA because of the loss of significant customers; (ii) an increase in revenue derived from financial services business of HK$15,685,000 (2017: HK$2,576,000), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China and Hong Kong; (iii) an increase in interest income from loans advanced to independent third parties of HK$20,423,000 (2017: HK$2,354,000); and (iv) an unrealised loss on an investment in listed equity investment at fair value through profit or loss of HK$6,016,000 (2017: unrealised loss of HK$3,290,000), which was arising from the Group's business segment on securities investment.

Cost of Sales

Cost of sales of the Group relates to (i) its apparel supply chain management services business and includes raw materials, subcontracting fees, and other costs. Raw materials were fabrics and ancillary raw materials, including buttons, zippers and threads that the Group purchased and supplied to the third-party manufacturers for their production. Subcontracting fees represented fees paid to the third-party manufacturers for production of apparel products. Other costs include miscellaneous costs such as freight charges, inspection charges, declaration fees, depreciation and insurance; and (ii) the direct cost of fund management services mainly consists of fund manager costs.

Subcontracting fees continues to be the major component of the Group's total cost of sales.

Gross Profit and Margin

The Group's gross profit for the year ended 31 December 2018 was HK$33,543,000, representing a decrease of approximately 27.6% from HK$46,309,000 in the corresponding period last year. The decrease in gross profit was due to decrease in sales and decrease in gross profit margin for its apparel supply chain management services business which was mainly attributable to relatively higher proportion of sales shifted to very low gross margin customers during the year.

Management Discussion and Analysis

Other Income and Gains

Other income and gains for the year ended 31 December 2018 was HK$18,897,000, representing an increase of approximately 787.2% from the corresponding period last year of HK$2,130,000. The increase was mainly due to the increase in rental income, distribution income, bank interest income, gain on disposal of a property and gain on foreign exchange difference, net.

Selling and Distribution Costs

Selling and distribution costs primarily consist of (i) sample cost; (ii) air freight charges; (iii) staff cost; and (iv) other selling and distribution expenses. Selling and distribution costs increased by approximately 39.7% from HK$2,652,000 to HK$3,704,000, which was mainly due to increase in staff cost.

Administrative Expenses

Administrative expenses mainly represented employee benefit expenses for the Group's management, finance and administrative personnel, rental expenses for the Group's office premises and travelling expenses. Administrative expenses increased by approximately 39% from HK$86,473,000 to HK$120,171,000, which was mainly due to the increase in salaries, consultancy fees for enhancement of IT system for apparel supply chain management services business and legal and professional fees for arrangement of loan transactions during the year.

Other Expenses, Net

Other expenses, net mainly represented the claims paid to customers. Other expenses, net for the year ended 31 December 2018 as HK$4,695,000, representing an increase of approximately 581.4% from HK$689,000 in the corresponding period last year. The increase was mainly due to increase in claim paid and goodwill impairment.

Finance Costs

Finance costs increased by approximately 1,060.9% from HK$1,817,000 to HK$21,094,000. The increase was mainly due to increase in interest expenses for bonds and bank and other borrowings during the year.

Loss for the Year

The net loss attributed to the owners of the parent for the year ended 31 December 2018 amounted to HK$101,279,000 (2017: HK$44,159,000), resulted in a basic loss per share for the year ended 31 December 2018 of HK21.1 cents (2017: HK9.2 cents), representing an increase in loss attributed to the shareholders of the Company (the "Shareholders") by 129.4%. The increase in loss was resulted from the effects of (i) decrease in sales and gross profits; (ii) increase in administrative expenses, mainly due to increase in staff costs, consultancy fees and legal and professional fees; and (iii) increase in finance costs (as stated above).

Management Discussion and Analysis

PROSPECTS

Apparel Supply Chain Management Services Business

The management of the Group expects the business environment for the apparel supply chain management services business in 2019 to remain uncertain. The trade war between US and China are still rolling on. Despite the Group has production base in Cambodia, the impact to the US customers is still unclear. The management has responded by exploring aggressively for new customers in Canada and Europe through competitive prices and shorter delivery time of the sales orders.

We also realize that the future supply chain business needs to be transformed to exploit IT in the process. We keep on enhancing our ERP system to further strengthen our relationship with supply chain partners and improve efficiency. New module of mobile quality inspection is now employed to streamline the quality inspection work.

Money Lending Business

The management expects that the money lending business segment will become one of the Group's stable income sources. In the future, the management is going to put more effort to develop the money lending business and aim to gain a higher level of loan advance balance with significant returns. It is believed that the expansion of money lending business segment will help the Group to lay a solid capital foundation for the development of financial sector and maintain a healthy cash flow. The management will go on paying close attention to the development of this business segment and promptly react to the demand in the market.

Financial Services Business

The management continues looking into possible acquisitions of asset management companies and other financial service platforms located in both Hong Kong and the PRC, in order to build a strong, growing and diversified financial services sector.

The management expects that the contribution from financial services business segment will increase significantly in the near future.

Securities Investment

During the year, the Hong Kong stock market was highly volatile due to both domestic and worldwide social and economic issues. To cope with such situations, the Group will continue to closely monitor the market conditions and may consider to change its investment portfolio from time to time. We will also explore other investment opportunities including but not limited to investment in private equities, debt securities, derivatives and funds.

Management Discussion and Analysis

CAPITAL STRUCTURE

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 capital structure of the Group consists of debt, including bonds, interest-bearing bank and other borrowings, and equity attributable to owners of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issuance of debts and redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

As at 31 December 2018, the interest-bearing other borrowings were HK$7,816,000 (31 December 2017: interest-bearing bank and other borrowings of HK$7,770,000) and bonds payables were HK$218,093,000 (31 December 2017: HK$80,000,000). As at 31 December 2018, all borrowings are carried at fixed interest rates ranging from 5% to 8% per annum and repayable from 2019 to 2020. As at 31 December 2017, borrowings amounting to HK$85,668,000 are carried at fixed interest rates ranging from 5% to 8% per annum and repayable from 2018 to 2019. No borrowings are carried at floating interest rates during the year (31 December 2017: HK$2,102,000).

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's working capital was financed by both internal resources and bank and other borrowings.

As at 31 December 2018, cash and cash equivalents amounted to HK$40,159,000, which decreased by approximately 59.8% as compared to HK$99,841,000 as at 31 December 2017.

As at 31 December 2018, the Group's total borrowings amounted to HK$225,909,000 (31 December 2017: HK$87,770,000), mainly consist of finance lease liabilities amounting to HK$82,000 (31 December 2017: HK$168,000), other borrowings amounting to HK$7,734,000 (31 December 2017: bank and other borrowings of HK$7,602,000) and bonds payable amounting to HK$218,093,000 (31 December 2017: HK$80,000,000). The bank and other borrowings of the Group as at 31 December 2018 and 31 December 2017 were incurred for operation and business purpose.

The current ratio of the Group as at 31 December 2018 was 1.6 (31 December 2017: 3.7). The gearing ratio is calculated based on i) the total liabilities divided by the total assets and ii) the total borrowings divided by the total Shareholders' equity. The gearing ratio of the Group as at 31 December 2018 were approximately 98.2% and 4,108.9%, respectively (31 December 2017: 56.8% and 81.7%, respectively).

The Group's net current assets and net assets of HK$99,248,000 (31 December 2017: HK$135,958,000) and HK$5,498,000 (31 December 2017: HK$107,392,000), respectively.

Management Discussion and Analysis

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and United States dollars ("US$"). The Group has currency exposure as certain income and expenses incurred in the PRC were denominated in RMB. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the year, the Group's capital expenditures consisted of additions to property, plant and equipment amounting to HK$1,554,000 (2017: HK$1,810,000).

CAPITAL COMMITMENT

As at 31 December 2018, the Group had a capital commitment of HK$4,461,000 (31 December 2017: Nil) in relation to the further capital contribution to Hunan Guokai.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of 206 (2017: 197) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK$67,621,000 for the year ended 31 December 2018, as compared to approximately HK$51,134,000 for the corresponding period last year.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of the basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other major staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and the provision of social insurances for employees who are employed by the Group pursuant to the applicable PRC rules and regulations.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 20 June 2014 where options to subscribe for shares of the Company may be granted to the Directors and employees of the Group.

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in the section headed "Material Acquisitions and Disposals of Subsidiaries" below, the Group did not have any plans for material investments during the year.

The Group will finance the future acquisitions through internally generated funds and other fund raising activities, including but not limited to issue of new debts or equity instruments.

SIGNIFICANT INVESTMENT

In January 2018, Hunan Huiyin Tianxing entered into a sales and purchase agreement to acquire 49% equity interests in Hunan Guokai from an independent third party for a consideration of RMB1,450,000, and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is Hunan Rail, an independent third party. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Established in August 2015, Hunan Guokai is engaged in the management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services. At the date of this report, Hunan Guokai manages the Railway Fund as its general partner. The Railway Fund is currently the only policy-driven fund in Hunan Province that invests in railway infrastructure and is primarily engaged in the investment of railway projects run on a public-private partnership basis in Hunan Province involving land acquisition and relocation. The Railway Fund has a target fund size of RMB10 billion and has asset under management of approximately RMB1 billion. The acquisition of Hunan Guokai was completed in July 2018. Details of the acquisition is set out in the Company's announcement dated 1 February 2018.

Save as disclosed in this report, there were no significant investments held during the year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group has not acquired nor disposed of any of its subsidiaries during the year.

RISK MANAGEMENT

The Group adopts the following risk management policies and monitoring system to mitigate the risks associated with interest rate, foreign currency, credit, liquidity and equity price in its major operation.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as income earned and expenses subcontracting fees incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Credit Risk

The accounts receivable and loan receivable balances included in the consolidated statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's accounts receivable and loan receivables. Concentrations of credit risk are managed by customer and borrower.

The Group performs ongoing credit evaluations of its debtors' financial conditions and requires collateral from its customers. The allowance for doubtful debts is based on a review of the expected collectability of all accounts receivable and loan receivables.

The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by management.

Liquidity Risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

Equity Price Risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial asset at fair value through profit or loss. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period. Management manages this exposure by assessing the risk associated with each individual investment and maintaining a portfolio of investments with different risks in the future if necessary.

CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2018.

CHARGE ON THE GROUP'S ASSETS

No charges on the Group's assets was noted as at 31 December 2018.

Management Discussion and Analysis

DIVIDEND

The Board does not recommend the distribution of any dividends for the year ended 31 December 2018 (2017: Nil).

FINANCIAL ASSISTANCE FROM SUBSTANTIAL SHAREHOLDER

On 27 October 2017, the Company, as the issuer (the "Issuer"), entered into a subscription agreement (the "Subscription Agreement A") with a company indirectly wholly-owned by 廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd.*), a substantial Shareholder, as the subscriber (the "Subscriber"), in relation to the subscription of unsecured bonds to be issued by the Company (the "Bonds"). The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the Subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. The maturity date of the Bonds will be intended to extend for two years upon maturity. The net proceeds from the issuance of the Bonds are used by the Group as general working capital of the Group, in particular towards money lending and financial services business and to finance suitable investment opportunities if and when they arise.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 15 December 2017, the Company, as the issuer, entered into a subscription agreement (the "Subscription Agreement B") with GF Investments (Hong Kong) Company Limited, as the subscriber, in relation to the issuance of notes (the "Notes") in the aggregate principal amount of HK$230,000,000. Pursuant to the Subscription Agreement B, the Notes will be issued in the aggregate principal amount of HK$230 million, at the issue price of 100% of the face value of their principal amount, at interest rate of 7.5% per annum. The Notes will be issued in one or two tranches, as determined by the Company in its sole discretion, with the maturity date of each tranche falling 720 days after the related issue date. The subscription of the first tranche of the Notes may be requested by the Company, in its sole discretion, for all or part of the Notes within the first month after the date of the Subscription Agreement B. GF Investments (Hong Kong) Company Limited is an independent third party to the Group. The Notes with principal amounts of HK$180,000,000 and HK$40,000,000 were issued in January 2018 and February 2018, respectively.

Save as disclosed above and in the section headed "Financial assistance from substantial shareholder" above, there had not been any other equity or debt fund raising activity conducted by the Group in the past twelve months.

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

Provision of Financial Assistance Amounting to HK$20,000,000

On 19 December 2016, Capital Strategic (as lender) entered into a loan agreement (the "DT Loan Agreement") with a third party independent of the Company and its connected person (as defined under the Listing Rules) (the "Borrower"), pursuant to which, Capital Strategic agreed to provide a loan to the Borrower in the principal amount of HK$20,000,000 (the "DT Loan") for a period of 6 months following the date of the first drawdown at an interest rate of 13% per annum payable on the date falling 6 months from the first drawing of the DT Loan (the "Provision of the Loan").

As at 19 June 2017, the DT Loan was drawn down by the Borrower and a repayment of HK$1,800,000 was made by the Borrower pursuant to the DT Loan Agreement. As the term of the DT Loan Agreement had expired on 18 June 2017, Capital Strategic and the Borrower had entered into a supplemental deed (the "First Supplemental Deed") to, among other matters, (i) extend the maturity date from 19 June 2017, being the immediate following business day of the maturity date which falls on a non-business day, to 18 December 2017; and (ii) revise the DT Loan granted under the DT Loan Agreement down to HK$18,200,000. Other than the maturity date which had been extended to 18 December 2017 and the amount of the DT Loan had been revised down to HK$18,200,000 pursuant to the First Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of First Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK$2,566,000 was made by the Borrower pursuant to the DT Loan Agreement and the First Supplemental Deed. As at 18 December 2017, the outstanding DT Loan principal and interest amounts in total was approximately HK$16,275,000. As the term of the First Supplemental Deed had expired on 18 December 2017, Capital Strategic and the Borrower had on 18 December 2017 entered into the second supplemental deed (the "Second Supplemental Deed") to, among other matters, (i) extend the maturity date from 18 December 2017 to 18 June 2018; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK$16,275,000. Other than the maturity date which had been extended to 18 June 2018 and the amount of the DT Loan had been revised down to approximately HK$16,275,000 pursuant to the Second Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of Second Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK$5,113,000 was made by the Borrower pursuant to the DT Loan Agreement, the First Supplemental Deed and the Second Supplemental Deed. As at 18 June 2018, the outstanding DT Loan principal and interest amounts in total was approximately HK$11,265,000. As the term of the Second Supplemental Deed had expired on 18 June 2018, Capital Strategic and the Borrower had on 18 June 2018 entered into the third supplemental deed (the "Third Supplemental Deed") to, among other matters, (i) extend the maturity date from 18 June 2018 to 18 June 2019; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK$11,265,000. Other than the maturity date which had been extended to 18 June 2019 and the amount of the DT Loan had been revised down to approximately HK$11,265,000 pursuant to the Third Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Management Discussion and Analysis

As at 31 December 2018, the DT Loan was still outstanding with a loan principal of approximately HK$11,265,000. The grant of the DT Loan under the DT Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules.

Provision of Loan to an Entity Amounting to HK$180,000,000

On 24 November 2017, Capital Strategic, as the lender, entered into a loan agreement (the "MT Loan Agreement") with Yuan Heng, as the borrower, pursuant to which, Capital Strategic would provide a loan of HK$180,000,000 (the "MT Loan") to Yuan Heng for a term of 6 months from the date of drawdown, which was 25 January 2018, and could be further extended for another 6 months with written consent of Capital Strategic (or any other dates as may be agreed by Capital Strategic and Yuan Heng in writing) at the interest rate of 10% per annum which will be paid monthly.

The MT Loan is secured by (i) a share charge (the "Share Charge") executed by Firmwill Investments Limited ("Firmwill"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Yuan Heng, in favor of Capital Strategic, whereby, Firmwill would execute the charge over 1 share in Fully World Limited ("Fully World"), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Firmwill, representing the entire issued share capital of Fully World, to Capital Strategic; and (ii) a floating charge ("Floating Charge") over all or any part of the property and/or assets of Fully World created by Fully World in favour of Capital Strategic. Yuan Heng had repaid HK$100,000,000 of the MT Loan to Capital Strategic by 6 August 2018.

On 25 January 2019, Capital Strategic and Yuan Heng entered into the supplemental agreement (the "Supplemental Agreement") pursuant to extend the maturity date of the remaining HK$80,000,000 of the MT Loan to 25 July 2019 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The MT Loan continues to be secured by the Share Charge and the Floating Charge.

Details of the transaction are set out in the announcements of the Company dated 24 November 2017, 25 January 2018 and 25 January 2019 and circular dated 22 December 2017, respectively. The transaction was completed on 25 January 2018 and the MT Loan is still outstanding as at 31 December 2018. The grant of the MT Loan under the MT Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules.

Provision of Financial Assistance Amounting to HK$40,000,000

On 14 February 2018, Capital Strategic, as the lender, entered into a loan agreement (the "Loan Agreement") with China-HK, as the borrower, pursuant to which Capital Strategic would provide a loan facility of HK$40,000,000 (the "Loan") to China-HK for a term of 6 months from the date of the relevant drawdown, which could be extended upon the requested of China-HK and subject to agreement of Capital Strategic in writing, at the interest rate of 12% per annum which will be paid on the relevant repayment dates of the Loan drawn down.

On 14 August 2018, Capital Strategic entered into a supplemental loan agreement with China-HK to, among other matters, extend the maturity date from 14 August 2018 to 14 February 2019. Other than the maturity date which had been extended to 14 February 2019 pursuant to the supplemental loan agreement, the principal terms of the Loan Agreement remains applicable to Capital Strategic and China-HK in connection with the Loan.

The Loan is secured by (i) charge over 10,000 shares of China-HK, being the entire issued share capital of the China-HK, in favour of Capital Strategic, by Wide Merit Limited, a company incorporated in the British Virgin Islands, being the holding company of China-HK; and (ii) charges over the entire share capital of 長三角徐州石油科技有限公司 (Changsanjiao Xuzhou Petroleum Technology Company Limited*), being a wholly-owned subsidiary of China-HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited*), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited.

The provision of the Loan under the Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Loan are set out in the announcement of the Company dated 14 February 2018 and 14 August 2018. The Loan is still outstanding as at 31 December 2018.

Save as disclosed above, the Group did not have any other provision of financial assistance and advance to an entity.

SUBSEQUENT EVENTS

On 25 January 2019, Capital Strategic and Yuan Heng entered into the supplemental agreement pursuant to extend the maturity date of the remaining HK$80,000,000 of the MT Loan to 25 July 2019 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The MT Loan continues to be secured by the Share Charge and the Floating Charge. The provision of MT Loan would constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the transaction are set out in the announcements of the Company dated 24 November 2017, 25 January 2018 and 25 January 2019 and circular dated 22 December 2017, respectively.

Biographies of Directors

DIRECTORS

Executive Directors

Mr. Li Qing, aged 42, was appointed as an Executive Director and the Chairman of the Board of the Company with effect from 15 January 2019. He is also a director of certain subsidiaries of the Company. Mr. Li graduated from the faculty of music in Minzu University of China in June 2001. He received a master's degree from the Musikakademie der Stadt Kassel in Germany in September 2004. Mr. Li has over 10 years of experience in senior management roles in real estate investment and fund management. Mr. Li is the chairman of the board and director of SFund International Investment Fund Management Limited（廣州基金國際股權投資基金管理有限公司）which is a substantial shareholder of the Company and an executive director of Magnus Concordia Group Limited (a company listed on the Main Board of the Stock Exchange, stock code:1172). Mr. Li worked as a deputy general manager and general manager of 連雲港市潤邦置業有限公司 (Lianyungang City Runbang Zhiye Company Limited*) from January 2008 to January 2013.

Mr. Lam Kwan Sing, aged 49, was appointed as an Executive Director, the Chief Executive Officer, the chairman of the Corporate Governance Committee of the Company and an authorized representative of the Company under Rule 3.05 of the Listing Rules with effect from 29 November 2016. He is also a director of certain subsidiaries of the Company. Mr. Lam has obtained a Bachelor of Arts in Accountancy degree from the City University of Hong Kong. He has over 20 years of experience in the commercial and corporate finance field. In addition, Mr. Lam is a director of China Natural Resources Inc., a company listed on NASDAQ, since 2003 and an independent non-executive director of Hao Tian Development Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 474). He was an executive director and chief executive officer of Enterprise Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1808) from 13 February 2012 to 31 May 2015 and from 8 May 2013 to 31 May 2015 respectively. Mr. Lam was also an executive director of China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) from 1 August 2010 to 16 August 2017.

Mr. Liu Zhijun, aged 55, was appointed as an Executive Director of the Company with effect from 7 July 2017. Mr. Liu holds an EMBA degree from Sun Yat-Sen University in 2005 and a Doctor degree in Natural Sciences with a major in Environmental Science from Guangzhou Institute of Geochemistry, Chinese Academy of Sciences in 2013. He has extensive experience in risk investment and management of venture capital fund guided by government. Mr. Liu also possesses financial related knowledge and has over 21 years of experience in macroeconomic research and planning. He is the general manager of 廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd.*), which is indirectly substantial shareholder of the Company.

Ms. Yi Sha, aged 45, was appointed as Executive Director of the Company with effect from 25 May 2017. She is also a director of certain subsidiaries of the Company. Ms. Yi has obtained a Bachelor degree in Chemical Engineering and Economic Information Management and a Master of Science degree from South China University of Technology in 1996 and 2003 respectively. Ms. Yi has extensive experience in finance and possess of over 22 years of experience in finance industry. She is the financial controller of 廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd.*), which is indirectly substantial shareholder of the Company and a director of SFund International Investment Fund Management Limited（廣州基金國際股權投資基金管理有限公司）which is a substantial shareholder of the Company.

Biographies of Directors

Ms. Wang Mengsu, aged 31, was appointed as an Executive Director of the Company with effect from 15 January 2019. She is also a director of certain subsidiaries of the Company. Ms. Wang graduated from the Hong Kong Shue Yan University with a degree of Bachelor of Business Administration. Ms. Wang has over 7 years of experience in investment and fund management. Ms. Wang is the assistant general manager and investment director of SFund International Investment Fund Management Limited (廣州基金國際股權投資基金管理有限公司) which a substantial shareholder of the Company.

Mr. Hon Ming Sang, aged 40, was appointed as an Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company with effect from 29 November 2016. He subsequently resigned as Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee but remains as a member of the Corporate Governance Committee of the Company and re-designated as Executive Director with effect from 7 February 2017. Mr. Hon was appointed as the Company Secretary, Authorised Representative of the Company under Rule 3.05 of the Listing Rules and the Process Agent of the Company on 7 July 2017. He is also a director of certain subsidiaries of the Company. Mr. Hon graduated with an honor degree of Professional Accountancy in the School of Accountancy from The Chinese University of Hong Kong. Mr. Hon is a CFA charter. He is also a member of the Hong Kong Society of Financial Analysts, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Mr. Hon has previously worked in an international audit firm and has over 10 years of working experience in listed companies and financial institutions. He has extensive experience in corporate finance, merger and acquisition, investment and financial management and compliance services. Mr. Hon is an independent non-executive director of CEFC Hong Kong Financial Investment Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1520). He was the company secretary of China Smarter Energy Group Holdings Limited ("China Smarter Energy", a company listed on the Main Board of the Stock Exchange, stock code: 1004) from 31 December 2012 to 9 February 2017 and was an independent non-executive director of China Smarter Energy from 3 August 2012 to 31 December 2012 and re-designated from independent non-executive director to an executive director of China Smarter Energy from 31 December 2012 to 16 August 2017.

Independent Non-executive Directors

Mr. Fok Ho Yin, Thomas, aged 47, was appointed as an Independent Non-executive Director, the chairman of each of the Audit Committee, Remuneration Committee and the Nomination Committee of the Company and a member of the Corporate Governance Committee of the Company with effect from 29 November 2016. Mr. Fok has extensive experience in the field of corporate finance and, in particular, in equity financing and financial restructuring. Mr. Fok is members of Hong Kong Institute of Certified Public Accountants and CPA Australia. He is also a Chartered Financial Analyst. Mr. Fok is an independent non-executive director of each of Landing International Development Limited (a company listed on the Main Board of the Stock Exchange, stock code: 582), China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) and DaFa Properties Group Limited (a company listed on Main Board of the Stock Exchange, stock code: 6111). He was an executive director and the company secretary of Jian ePayment Systems Limited (a company listed on the GEM of the Stock Exchange, stock code: 8165) from 1 September 2007 to 31 July 2016 and from 5 February 2008 to 5 July 2016 respectively.

Biographies of Directors

Mr. Chan Wai Cheung, Admiral, aged 45, was appointed as an Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and Corporate Governance Committee of the Company with effect from 29 November 2016. He holds a Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in accounting and auditing field. Mr. Chan is an executive director of Energy International Investments Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 353), an independent non-executive director of each of Carnival Group International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 996), Zhong Ao Home Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1538) and a non-executive director of China Nonferrous Metals Company Limited (a company listed on the GEM of the Stock Exchange, stock code: 8306). He was an independent non-executive director of EJE (Hong Kong) Holdings Limited (formerly known as Jia Meng Holdings Limited) (a company listed on the GEM of the Stock Exchange, stock code: 8101) from 26 September 2013 to 22 May 2016.

Mr. Lam Ho Pong, aged 33, was appointed as an Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company with effect from 7 February 2017. He graduated from the City University of Hong Kong with a degree in Bachelor of Business Administration (Honours) in Accountancy. Mr. Lam is a member of the Hong Kong Institute of Certified Public Accountants. He is a financial controller of an organization in the money lending business in Hong Kong. Mr. Lam is responsible for overseeing a full spectrum of financial, accounting and regulatory compliance functions for the group. Prior to joining the company, he worked for a global international accounting firm for 7 years.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The Company has adopted the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

The Company has complied with all the Code Provisions of the CG Code during the year ended 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Listing Rules as its own code of conduct regarding the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director has confirmed that he/she has complied with the required standard set out in the Model Code during the year.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Promoting good corporate governance and managing enterprisewide risk is a priority of the Company. The Company is convinced that corporate governance and Directors and Officers Liability Insurance (the "D&O Insurance") complement each other. The Company has arranged appropriate D&O Insurance coverage on Directors' and officers' liabilities in respect of legal actions against the Directors and senior management arising out from corporate activities. The D&O Insurance will be reviewed and renewed annually.

BOARD OF DIRECTORS

The Board

The Board, led by the Chairman of the Board, is responsible for leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The Board has delegated to the management of the Company the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board reserved its decision for all major matters of the Company, including approving and monitoring all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Daily management and administration functions were delegated to the management. The Board has delegated various responsibilities to the management of the Company. These responsibilities include implementing decisions of the Board, directing and co-ordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operation and production plans and budgets, and supervising and monitoring the internal control systems.

Corporate Governance Report

During the year, the Chairman held one meeting with the Independent Non-executive Directors without the presence of other Directors.

At least 14 days' notice for all regular Board meetings will be given to all Directors and they must be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least 3 days in advance of every regular Board meeting.

Board Composition

During the year ended 31 December 2018, the composition of the Board as at the date of this report is as follows:

Executive Directors
Mr. Li Qing *(Chairman) (Note 1)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Liu Zhijun
Ms. Yi Sha
Ms. Wang Mengsu *(Note 2)*
Mr. Hon Ming Sang
Mr. Jia Bowei *(Note 3)*
Mr. Wong Nga Leung *(Note 4)*

Independent Non-executive Directors
Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

Notes:

1. Appointed as Executive Director and the Chairman of the Board with effect from 15 January 2019.

2. Appointed as Executive Director with effect from 15 January 2019.

3. Resigned as Executive Director and the Chairman of the Board with effect from 15 January 2019.

4. Resigned as Executive Director with effect from 15 January 2019.

An updated list of Directors identifying their roles and functions has been published on the websites of the Company and the Stock Exchange, and the Independent Non-executive Directors have been identified in all corporate communications that disclose the names of Directors. The biographies of the Directors are set out on pages 22 to 24 of this annual report. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between Board members and in particular, the Chairman and the Chief Executive Officer.

Corporate Governance Report

Directors' Attendance Record

A total of 11 regular Board meetings and 1 general meetings of the Company were held, being the 2018 annual general meeting held on 9 May 2018 ("2018 AGM") and nil extraordinary general meeting throughout the year. During the year ended 31 December 2018, the individual attendance record of each of the Directors is set out in the following table:

	Attendance/Number of meetings		
	Board Meetings	**2018 AGM**	**Extraordinary General Meeting**
Executive Directors			
Mr. Li Qing *(Chairman) (Note 1)*	N/A	N/A	N/A
Mr. Lam Kwan Sing *(Chief Executive Officer)*	11/11	1/1	0/0
Mr. Liu Zhijun	11/11	1/1	0/0
Ms. Yi Sha	5/11	1/1	0/0
Ms. Wang Mengsu *(Note 2)*	N/A	N/A	N/A
Mr. Hon Ming Sang	11/11	1/1	0/0
Mr. Jia Bowei *(Note 3)*	11/11	1/1	0/0
Mr. Wong Nga Leung *(Note 4)*	11/11	1/1	0/0
Independent Non-executive Directors			
Mr. Fok Ho Yin, Thomas	11/11	1/1	0/0
Mr. Chan Wai Cheung, Admiral	11/11	1/1	0/0
Mr. Lam Ho Pong	11/11	1/1	0/0

Notes:

1. Appointed as Executive Director and the Chairman of the Board with effect from 15 January 2019.

2. Appointed as Executive Director with effect from 15 January 2019.

3. Resigned as Executive Director and the Chairman of the Board with effect from 15 January 2019.

4. Resigned as Executive Director with effect from 15 January 2019.

Regular Board meetings were held at approximately quarterly intervals. Minutes of the Board meetings and the meetings of the Board committees are recorded in sufficient details. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director. Directors may obtain independent professional advice under appropriate circumstances and as and when necessary at the Company's expense, ensuring that Board procedures and all applicable rules and regulations are followed. If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter must be dealt with by a physical Board meeting with the Independent Non-executive Directors present at the meeting rather than by written resolutions.

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against the Directors.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, Mr. Li Qing acted as the Chairman of the Board while Mr. Lam Kwan Sing acted as Chief Executive Officer of the Company. The roles of Chairman and Chief Executive Officer are separated and exercised by different individuals.

On 15 January 2019, Mr. Li Qing was appointed as an Executive Director and the Chairman of the Board and Mr. Jia Bowei was resigned as an Executive Director and the Chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of Shareholders.

The Independent Non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company (the "Articles").

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules from each of Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong, being the Independent Non-executive Directors, and as at the date of this annual report, the Company still considers them to be independent.

Appointment and Re-election of Directors

Each Director has entered into a letter of appointment with the Company with an initial term of 3 years commencing from the date of appointment and is subject to the re-appointment in accordance with the Articles.

In accordance with the Articles, the Directors appointed to fill a casual vacancy on the Board shall be subject to re-election by Shareholders at the first general meeting after their appointments and any Directors appointed by the Board as an addition to the existing Board shall then be eligible for re-election at the next following annual general meeting. Every Directors (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company. At each annual general meeting, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest but not less than one-third, shall retire from office by rotation and shall be eligible for re-election.

Continuous Professional Development

In compliance with the Code Provision A.6.5, the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge, skills and understanding of the Group and its business or to update their skills and knowledge on the latest development or changes in the relevant regulations, the Listing Rules and corporate governance practices. The Company will also update the Directors of any material changes in the rules and regulations from time to time.

Corporate Governance Report

According to the confirmation/records provided by the Directors, all the Directors have participated in the continuous professional developments in the following manners during the year ended 31 December 2018:

	Attending or participating in seminars/in-house briefing or reading materials relevant to the Company's business/ director's duties
Executive Directors	
Mr. Li Qing *(Chairman) (Note 1)*	N/A
Mr. Lam Kwan Sing *(Chief Executive Officer)*	✓
Mr. Liu Zhijun	✓
Ms. Yi Sha	✓
Ms. Wang Mengsu *(Note 2)*	N/A
Mr. Hon Ming Sang	✓
Mr. Jia Bowei *(Note 3)*	✓
Mr. Wong Nga Leung *(Note 4)*	✓
Independent Non-executive Directors	
Mr. Fok Ho Yin, Thomas	✓
Mr. Chan Wai Cheung, Admiral	✓
Mr. Lam Ho Pong	✓

Notes:

1. Appointed as Executive Director and the Chairman of the Board with effect from 15 January 2019.

2. Appointed as Executive Director with effect from 15 January 2019.

3. Resigned as Executive Director and the Chairman of the Board with effect from 15 January 2019.

4. Resigned as Executive Director with effect from 15 January 2019.

Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

BOARD COMMITTEES

Audit Committee

The Audit Committee was established on 20 June 2014 and amended on 30 December 2015 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. As at the date of this report, the Audit Committee consists of 3 Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (as chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The duties of the Audit Committee are as follows:

(a) to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to develop and implement policies on engaging of an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(d) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:

- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards; and
- compliance with the Listing Rules and legal requirements in relation to financial reporting.

(e) to liaise with the Board and senior management of the Company and meet at least twice a year, with the external auditor, and to consider any significant or unusual items that are, or may need to be, reflected in the annual reports and accounts, and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor of the Company;

(f) to review the financial controls, internal control and risk management systems of the Company;

(g) to discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

(h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;

(i) to review the group's financial and accounting policies and practices;

(j) to review the management letter of the external auditor, any material queries raised by the auditor to management of the Company about the accounting records, financial accounts or systems of control and the response of management of the Company;

(k) to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor;

(l) to report to the Board on the matters set out in the CG Code;

(m) to review arrangements for employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(n) to act as the key representative body for overseeing the Company's relation with the external auditor;

(o) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by Shareholders; and

(p) to consider such other matters as the Board may from time to time determine.

During the year ended 31 December 2018, 2 Audit Committee meetings were held (i) to review with the management of the Company the principles and practices adopted by the Group; (ii) to review and discuss risk management and internal control systems and financial reporting matters, including a review of the audited consolidated financial statements and results of the Group for the year ended 31 December 2017 and unaudited condensed consolidated financial statements and results of the Group for the six months ended 30 June 2018 and the effectiveness of the Company's internal audit function; and (iii) to discuss and recommend to the Board on the re-appointment of external auditor. The individual attendance record of each of the members is set out in the following table:

Members	**Attendance/ Number of Audit Committee Meetings**
Mr. Fok Ho Yin, Thomas *(Chairman of the Audit Committee)*	2/2
Mr. Chan Wai Cheung, Admiral	2/2
Mr. Lam Ho Pong	2/2

This annual report has been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee was established on 20 June 2014 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company.

As at the date of this report, the Nomination Committee consists of 3 Independent Non-executive directors, namely Mr. Fok Ho Yin, Thomas (as chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The duties of the Nomination Committee are as follows:

(a) to review the structure, size, composition and diversity of the Board and to make recommendation on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify suitable individuals qualified to become Board members;

(c) to review the effectiveness of the Board Diversity Policy (as hereinafter defined) and the measurable objectives;

(d) to formulate and develop the policies and practices on corporate governance;

(e) to assess the independence of Independent Non-executive Director;

(f) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer; and

(g) to ensure that where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, the Board should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he/she should be elected and the reasons why they consider him/her to be independent.

The Nomination Committee may obtain independent professional advice to perform its responsibilities, where necessary, at the Company's expense.

During the year ended 31 December 2018, 2 Nomination Committee meetings were held (i) to review the re-election of the retiring Directors at the 2018 AGM held on 9 May 2018 and (ii) to review and formulate the Board's policies and practices on corporate governance. The individual attendance record of each of the members is set out in the following table:

Members	**Attendance/ Number of Nomination Committee Meetings**
Mr. Fok Ho Yin, Thomas *(Chairman of the Nomination Committee)*	2/2
Mr. Chan Wai Cheung, Admiral	2/2
Mr. Lam Ho Pong	2/2

Corporate Governance Report

Nomination Policy

The Board has established a set of nomination policy setting out the approach to nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as directors of the Group at general meetings or appoint as Directors to fill casual vacancies. The criteria of nomination have been considered from a number of aspects, including but not limited to, skills, experience, qualifications and aspects as detailed in the board diversity policy.

During this year, the Company reviewed its nomination policy for a formal, considered and transparent procedure to help identifying and nomination of candidates for Directors. All valid nomination of candidates, accompanied with biographical details, would be presented to the Board for consideration. Consideration would be given to factors such as the candidate's integrity, experience and qualifications relevant to the Group's business. It is believed that members of the Nomination Committee collectively would have required relevant knowledge and skills to identify, invite and evaluate qualifications of nominated candidates for directorship.

The process of our appointment and re-election of Directors are as follows:

Potential new Directors are identified and considered for appointment at any time by the Board upon the recommendation of the Nomination Committee. Nomination Committee considers the candidates based on merit having regard to the knowledge, experience, skills and expertise as well as the overall board diversity which, in the opinion of the Directors, will enable them to make positive contributions on the performance of the Board and makes recommendations to the Board as appropriate. Emoluments of new directors will be considered by the Remuneration Committee.

Newly appointed members by the Board to fill a casual vacancy on the Board is subject to re-election by Shareholders at the first general meeting after their appointment or as addition to the existing Board is subject to re-election by Shareholders at the first annual general meeting after their appointment. All executive Directors and non-executive Directors are subject to re-election by Shareholders every 3 years.

Board Diversity Policy

The Company continuously seeks to enhance the effectiveness of the Board and to maintain a high standard of corporate governance and recognises and embraces the benefits of diversity in the composition of the Board.

In December 2016, the Company has adopted a board diversity policy which was update in December 2018 (the "Board Diversity Policy") for compliance with the Code Provision of the Listing Rules concerning the diversity of Board members. A summary of the Board Diversity Policy, together with the measureable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. In forming its perspective on diversity, the Company will also take into account of factors based on its own business model and specific needs from time to time.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the Corporate Governance Report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. Also, the Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises nine Directors. Three of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by diversity, whether considered in terms of age, experience, cultural, skills and knowledge and educational background.

The Nomination Committee will continue to review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Remuneration Committee

The Remuneration Committee was established on 20 June 2014 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. As at the date of this report, the Remuneration Committee consists of 3 Independent Non-Executive directors, namely Mr. Fok Ho Yin, Thomas (as chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The duties of the Remuneration Committee are as follows:

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

(b) to review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management of the Company. The remuneration package should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of Non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions of the group;

(f) to review and approve the compensation payable to Executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) to ensure that no Director or any of his/her associates is involved in deciding his or her own remuneration.

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Executive Directors and management of the Company.

During the process of consideration, no individual Director will be involved in decisions relating to his/her own remuneration.

The Remuneration Committee may obtain independent professional advice to perform its responsibilities, where necessary, at the Company's expense.

During the year ended 31 December 2018, 1 Remuneration Committee meeting was held to determine the remuneration package of the newly appointed Directors and management of the Company, to approve the terms of his/her letter of appointment and review the remuneration package of directors. The individual attendance record of each of the members in the following table:

Members	**Attendance/ Number of Remuneration Committee Meetings**
Mr. Fok Ho Yin, Thomas *(Chairman of the Remuneration Committee)*	1/1
Mr. Chan Wai Cheung, Admiral	1/1
Mr. Lam Ho Pong	1/1

Corporate Governance Committee (previously known as Compliance Committee)

Corporate Governance Function

The Board is responsible for ensuring that the Company shall establish comprehensive corporate governance practices and procedures during the year. As at the date of this report, the Corporate Governance Committee consists of 2 Executive Directors, namely Mr. Lam Kwan Sing (as chairman) and Mr. Hon Ming Sang; and 3 Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The Corporate Governance Committee was established on 20 June 2014 with specific written terms of reference to implement the corporate governance function. The duties of the Corporate Governance Committee are as follows:

(a) to develop and review the Company's policies and practices on compliance with any requirement, direction or regulation that may be prescribed by the Board, contained in any constitutional documents of the Company or any of its subsidiaries, or imposed by the Listing Rules or other applicable laws, regulations, rules or codes and corporate governance and make recommendations to the Board;

(b) to ensure the appropriateness of the monitoring systems are in place to ensure compliance with the relevant internal control systems, processes and policies;

(c) to monitor the implementation of the Company's plan to maintain high standards of compliance with the Company's own risk management standards;

(d) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

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

(f) to review the Company's compliance with the CG Code of the Listing Rules and disclosure in the Corporate Governance Report.

During the year ended 31 December 2018, 1 Corporate Governance Committee meeting was held to review the training and continuous professional development of Directors, to review the Company's compliance with the CG Code and review the Company's disclosure in Corporate Governance Report. The individual attendance record of each of the members in the following table:

Members	**Attendance/ Number of Corporate Governance Committee Meetings**
Mr. Lam Kwan Sing *(Chairman)*	1/1
Mr. Hon Ming Sang	1/1
Mr. Jia Bowei (Note 1)	1/1
Mr. Wong Nga Leung (Note 2)	1/1
Mr. Fok Ho Yin, Thomas	1/1
Mr. Chan Wai Cheung, Admiral	1/1
Mr. Lam Ho Pong	1/1

Notes:

1. Resign as Executive Director and the Chairman of the Board with effect from 15 January 2019.

2. Resign as Executive Director with effect from 15 January 2019.

Remuneration of the Senior Management

Pursuant to Code Provision B.1.5 of the CG code, the remuneration of the Senior Management by band for the year ended 31 December 2018, is set out as below:

Band of remuneration (HK$)	**No. of person**	
	2018	2017
HK$1,000,000 and below	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
Over HK$2,000,000	**2**	2

Further details of the remuneration of Directors and five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9 respectively to the financial statements.

Accountability and Audit

Financial Reporting

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

All Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2018. Currently, the Company's external auditor is Ernst & Young (the "Auditor").

The Directors' responsibilities in preparing the consolidated financial statements and the Auditor's responsibilities are set out in the Independent Auditor's Report on pages 72 to 78 of this annual report.

The Board is also responsible for presenting a balanced and clear assessment of the Group's performance and prospects. Management of the Company provides all relevant information to the Board, giving its members sufficient explanation and information that it needs to discharge its responsibilities.

Auditor's Remuneration

The fees paid or payable to the Auditor of the Company for the year ended 31 December 2018 are set out as follows:

	Fees paid/ payable HK$'000
Audit service	2,188
Non-audit services	
Interim review	420
Total	2,608

RISK MANAGEMENT AND INTERNAL CONTROLS

A sound and effective risk management and internal control systems is important to safeguard the Shareholders' investment and the Group's assets. The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk associated in failing to achieve certain business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

During the year ended 31 December 2018, an external accounting firm was engaged to perform an internal audit function which generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems.

The Audit Committee assists the Board in leading the management to oversee the formation, implementation and monitoring of the risk management and internal control systems.

The "top-down approach" and the "bottom-up approach" were adopted by the Group in order to measure the risks facing to the Group. The internal processes of risk assessment and measurement involve the participation of management in assessing the risk exposure such as identifying the risks and their impact. The Board, as supported by the Audit Committee, has reviewed and assessed the effectiveness of the risk management and internal control systems by reviewing the reports prepared by the external accounting firm and the internal audit findings at each regularly scheduled meeting and considered that the risk management and internal control systems of the Group are effective and adequate for the year.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2018, including financial, operational and compliance controls and risk management function.

The management shall report to the Board as soon as practicable for any event which may constitute inside information, and the Board shall decide to make relevant disclosure in a timely manner, if required.

Corporate Governance Report

Delegation by the Board

In general, the Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

COMPANY SECRETARY

Mr. Hon Ming Sang was appointed as the Company Secretary of the Company with effect from 7 July 2017. During the year, Mr. Hon Ming Sang have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

INVESTOR RELATIONS

Communication with Shareholders

The Board recognised the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognised that effective communication with the Company's investors is critical in establishing investor confidence and to attract new investors. Therefore, the Shareholders' Communication Policy of the Company is committed to maintaining a high degree of transparency to ensure the Shareholders and the investors of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the website of the Company.

In respect of each matter to be considered at the annual general meetings and extraordinary general meetings, including the re-election of Directors, a separate resolution will be proposed by the Chairman of the Board. Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

Members of the Board and Chairmen of various Board Committees will attend the forthcoming annual general meeting of the Company to be held on Wednesday, 22 May 2019 at 2:30 p.m. (the "AGM") to answer questions raised by the Shareholders. Pursuant to Code Provision E.1.2, the Company will invite representatives of the auditor to attend the AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, various rights of Shareholders, including the right to propose resolutions, are contained in the Articles.

The summary of certain rights of the Shareholders are disclosed below:

Procedures for Convening Extraordinary General Meetings and Putting Forward Proposals at General Meetings

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. According to Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (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.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the Secretary of the Company at the Company's principal place of business in Hong Kong at Suites 904–5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The requisitionist(s) must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionist(s). Upon receipt, the Company will verify the particulars of requisitionist(s) and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles.

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

The Articles published on the websites of the Company and the Stock Exchange and the "procedures for shareholders to propose a person for election as a director of the Company" on the website of the Company.

Procedures for Directing Shareholders' Enquiries to the Board and Company's Contact Details

Shareholders and other stakeholders may send their enquiries, concerns and requisitions to the Board by addressing them to the Company Secretary at the Company's principal place of business in Hong Kong at Suites 904–5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "Dividend Policy"). It is the policy of the Board in declaring or recommending a payment of dividends, to allow shareholders to participate in the Company's profits and for the Company to retain adequate reserves for future growth.

The Board shall consider the following factors before declaring or recommending any dividend:

- general business conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company;
- the financial condition and results of operations of the Group;
- the expected capital requirements and future expansion plans of the Group;
- future prospects of the Group;
- statutory and regulatory restrictions;
- contractual restrictions on the payment of dividends by the Group to the shareholders or by the subsidiaries of the Company to the Company;
- taxation considerations;
- shareholders' interests; and
- other factors the Board may deem relevant.

The Board may also pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits of the Company justify the payment. The payment of dividend is also subject to applicable laws and regulations and the Company's Articles.

Whilst the Dividend Policy reflects the Board's current views on the financial and cash-flow position of the Group, such Dividend Policy will continue to be reviewed from time to time and there can be no assurance that dividends will be recommend or declared in any particular amount for any given period. The declaration of or recommendation of declaration of dividends is subject to the absolute discretion of the Board. Even if the Board decides to recommend and declare dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, there was no change in the Articles.

Environmental, Social and Governance Report

APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND REPORTING

This Environmental, Social and Governance Report (the "ESG Report") summarises the initiatives, programmes and performance of the Group as well as demonstrates its commitment to sustainability.

The core businesses of the Group are principally engaged in the trading of apparel products and provision of apparel supply.

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

REPORTING SCOPE

Unless stated otherwise, this report mainly covers the Group's major operating revenue activities under direct management control, including its the trading of apparel products and provision of apparel supply in the PRC.

The Group will continue to assess the major environmental, social and governance aspects of different businesses to determine whether it needs to be included in the environmental, social and governance reporting.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 27 of the Listing Rules (the "ESG Reporting Guide").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 25 to 41 of this report.

REPORTING PERIOD

The ESG Report specifics the environmental, social and governance activities, challenges and measures being taken during the year ended 31 December 2018.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

Environmental, Social and Governance Report

Materiality Assessment

The management and employees who are responsible for the key functions of the Group have participated in preparing this report, assisted the Group in reviewing its operation, identifying key environmental, social and governance issues and assessing the importance of these issues to our businesses and stakeholders. We compiled a questionnaire in reference to the identified material environmental, social and governance issues to collect the information from relevant departments and business units of the Group.

The following table summarises the Group's significant environmental, social and governance issues as set out in this report:

The ESG Reporting Guide	Material ESG aspects of the Group	Page
A. Environmental		
A1. Emissions	Emissions, Wastewater and Waste Management	P. 44
	Greenhouse Gas Emission	P. 46
A2. Use of Resources	Energy Consumption	P. 48
	Water Consumption	P. 48
	Use of Packaging materials	P. 48
A3. The Environment and Natural Resources	Environmental Impact Management	P. 49
B. Social		
B1. Employment	Employee Benefits and Equal Opportunities Policies	P. 51
B2. Health and Safety	Occupational Health and Safety	P. 52
B3. Development and Training	Staff Development and Training	P. 52
B4. Labor Standards	Prevention of Child Labor or Forced Labor	P. 53
B5. Supply Chain Management	Environmental and Social Risk Management of Supply Chain	P. 53
B6. Product Responsibility	Quality and Safety of Products and Services	P. 54
	Intellectual Property Management	P. 54
B7. Anti-Corruption	Prevention of Corruption and Fraud	P. 55
B8. Community Investment	Contributions to Society	P. 56

Environmental, Social and Governance Report

During the year ended 31 December 2018, the Group confirmed that appropriate and effective management policies and internal control systems for environmental, social and governance issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

Contact us

Comments and suggestions are welcome from our stakeholders. You may provide comments on ESG Report or towards our performance in respect of sustainable development.

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and Key Performance Indicators ("KPI")

The core businesses of the Group, which mainly involves (i) the trading of apparel products and provision of apparel supply chain management services; (ii) the provision of financial services; (iii) the money lending business; and (iv) securities investment, mainly rely on internet technology and related equipment and do not involve any manufacturing processes in the course of business. Therefore, during the year ended 31 December 2018, the Group and its office did not generate significant emissions, water pollutants and hazardous wastes during the operation, except for greenhouse gas ("GHG") emissions and non-hazardous waste.

Global warming and climate change have become major environmental issues to the world. The Group aims to minimize energy consumption and carbon emissions and has been exploring ways of adopting operational model which incurs less adverse impact on the environment. From the reporting of environmental perspective, we mainly focused on the environmental impact of the Group's offices in China and relevant measures to be taken during the daily operation and have formulated policies and procedures relating to the environmental management to govern limited greenhouse gas emissions and non-hazardous waste generated from our operation.

Waste management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by our business activities. Our waste management practice has been complied with relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's operations mainly consist of paper, toner cartridges and ink cartridges. During the year ended 31 December 2018, the consumption volume generated by the Group is shown as below:

Non-hazardous waste category	**Quantity**	**Unit**	**Intensity – Unit per employee**
Paper	0.3	Tonnes	0.01
Toner cartridge	8	Pieces	0.25

We regularly monitor the consumption volume of paper, toner cartridges and ink cartridges and have implemented a number of reduction measures. The Group's office has also provided suitable facilities and encouraged our staff to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

Apart from recycling, the office has implemented various programs and activities to encourage employees to participate in waste reduction management, including:

- Promote green information and electronic communication, such as e-mail and electronic workflows, to implement "paperless system" concept;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and double-side printing. Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary; and
- Recommend the use of recycled paper.

The Group does not produce any hazardous wastes in its business activities.

GHG emission

The consumption of electricity at the offices and petrol are the largest sources of greenhouse gas emissions of the Group. During the year ended 31 December 2018, the Group's total GHG emissions amounted to approximately 42 tonnes and the total GHG emission per employee was 1.7 tonnes/employee. The detailed summary of the GHG emission is shown as below:

GHG Performance Summary

GHG Scope[1]	Tonnes	Intensity – Tonnes per employee
Direct GHG emission (Scope 1) – petrol consumption	10.3	0.3
Indirect GHG emission (Scope 2) – electricity consumption	38.4	1.2
Other indirect GHG emission (Scope 3) – paper and water consumption	1.3	0.05
Total GHG emission	42.7	1.3

The Group has implemented a number of measures to mitigate energy consumption such as turning off the airconditioning system at night or when leaving office, keeping the office temperature at 25°C in summer and using LED lights or energy-saving light in the office, etc.

At the project level, the Group considers the principle of environmental protection when launching each of its projects. For example, in the course of selecting suppliers, we assess whether the materials used by the suppliers in the activities are hazardous to the environment and whether they can effectively conserve energy and minimize carbon emissions. In addition to the above-mentioned measures, the Group issues environmental-related memorandum to its staff to raise their awareness of environmental preservation. Notices and posters relating to the environmental information have been placed in the offices to promote the best practice of the environmental management.

1 GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" and the latest published Baseline Emission Factors for Regional Power Grids in China.

The Group has complied with relevant environmental laws and regulations, including but not limited to Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Air Pollution and Environmental Protection Law of Solid Waste Pollution of the People's Republic of China. During the year ended 31 December 2018, the Group was not aware of any material noncompliance with laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

On top of complying with the general disclosure requirement of Aspect A1, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions

KPI A1.1	The types of emissions and respective emissions data.	Disclosed
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed

A2. Use of Resources

General Disclosure and KPI

Energy Consumption

Due to the business nature of the Group, the volume of energy consumption, electricity consumption and water consumption are considered as relatively low, in particular water consumption is very minimal. As mentioned in the Aspect A1 section, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

During the year ended 31 December 2018, the Group's consumption in petrol and electricity were:

Energy Type	Quantity	Unit	Intensity – Unit per employee
Petrol	4,851	litre	163.8
Electricity	64,921	kWh	1,901.3

On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilize telephone or video conference to minimize face-to-face meeting in order to reduce petrol consumption in traveling and unnecessary business trips. The Group encourages resources saving in daily office operation and proactively fosters a low-carbon corporate culture, which further increases our employees' awareness in energy conservation.

Water consumption and use of packaging materials

The Group does not consume significant water in its business activities. Regardless of limited water consumption, we still promote behavioral changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees for water conservation, which results in further enhancing our employees' awareness in water conservation.

In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

On top of complying with the general disclosure requirement of Aspect A2, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions

KPI A2.1	Direct and/or indirect energy consumption by type and intensity.	Disclosed
KPI A2.2	Water consumption in total and intensity.	Disclosed
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed
KPI A2.4	Description on whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Issue in sourcing water – not applicable due to its business nature; Remaining – disclosed
KPI A2.5	Total packaging material used for finished products.	Not applicable

A3. The Environment and Natural Resources

General Disclosure and KPI

Environmental impact management

The Group pursues the best practices in the environment protection and focuses on the impact of the Group's businesses to the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

The Group strives to promote environmental protection and make effective use of resources. It carries out continuous monitoring if the business operations incur any potential impact to the environment, and minimises such impact to the environment through promoting green office and operating environment by adopting four basic principles which comprise of reduce, reuse, recycle and replacement. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

Noise Pollution

Noise pollution practices are implemented during our construction activities, in order to minimise the noise pollution. Programs are produced in the studios with good soundproof facilities.

Outdoor lightings

During outdoor constructions, the lightings are adjusted to avoid disturbing neighborhood whenever possible.

Landscape and natural habitat

The Group strives to minimise any unnecessary interference to the natural landscape and animal habitat in the process of construction, in order to maintain the natural beauty of the environment.

The Group regularly reviews its environmental protection policies and has adopted the necessary precautionary measures and actions to reduce significant impact on the environment and natural resources, and ensure that the Group complies with relevant laws and regulations.

During the year ended 31 December 2018, the Group has not found any non-compliance with laws and regulations in respect of the environment and natural resources.

On top of complying with the general disclosure requirement of Aspect A3, we have complied with the KPI requirement which is summarized below:

"Comply or explain" Provisions

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed

B. SOCIAL

B1. Employment

General Disclosure

Employee Benefits and Equal Opportunities Policies

Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the year ended 31 December 2018, the Group has fully complied with relevant rules and regulations in the PRC, including the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Regulations on Labor Inspection and Security, as well as the statutory requirements in Hong Kong, including the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 57 of the Laws of Hong Kong), the Minimum Wages Ordinance, the Personal Data Privacy Ordinance and other relevant rules and regulations.

The Group is committed to maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity, religion and equal opportunities.

The Group's staff handbook contains polices in regards to recruitment, promotion, discipline, working hours and leave. The human resources department has been responsible for ensuring all employees have fully understood the contents of the handbook.

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions.

During the year ended 31 December 2018, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B2. Health and Safety

General Disclosure

Occupational Health and Safety

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees.

During the year ended 31 December 2018, the Group has complied with relevant rules and regulations in the PRC, including the Law of the People's Republic of China on Work Safety and Occupational Disease Prevention and Control Law of the People's Republic of China, as well as the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance.

During the year ended 31 December 2018, the Group was not aware of any non-compliance with the health and safety laws and regulations.

B3. Development and Training

General Disclosure

Staff Development and Training

Employees are regarded as the Group's largest and most valuable assets and an essential part of maintaining a competitive advantage. The Group provides its staff with training courses for upgrading skills and development as needed.

The Group encourages and supports employees to participate in personal and professional training to fulfill the needs of emerging technologies and new equipment. The Group also encourages the culture of sharing of knowledge and experience.

The Group has made good use of its internal resources to organise various forms of training for its office in China, including management, customer service and financial knowledge with the assistance of the Hong Kong Office of General Services.

B4. Labour Standards

General Disclosure

Prevention of Child Labor or Forced Labor

The Group strictly prohibits employing any child labor or forced labor in its operations in Hong Kong and the PRC. The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labor or forced labor in operation.

In the meantime, the Group also avoids engaging vendors and contractors which are already known to be employing child labor or forced labor in their operations. The Group has complied with the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong) under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Convention on the Abolition of Forced Labor with respect to Employment of Workers, the Labor Law of the People's Republic of China on the Employment of Adolescents under the Age of 16 and their Legal Rights and Interests and Provisions on the Prohibition of Child Labor in the People's Republic of China.

During the year ended 31 December 2018, the Group complied with all the laws and regulations relating to the prevention of child labor or forced labor. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B5. Supply Chain Management

General Disclosure

Environmental and Social Risk Management of Supply Chain

The Group has established and implemented the Supplier Management Policy. In order to strengthen the selection of suppliers, the Group welcomes qualified, competent and high-quality suppliers to join. The Group's procurement department has specially formulated this policy in order to standardise the supplier management and improve the operational standard.

The Group's procurement department is also responsible for organising the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. The evaluation results will serve as the basis of supplier management. Suppliers need to react quickly to the assessment result, taking effective measures to improve the services provided within prescribed period. The Group has the rights to terminate the cooperation with service providers who violate the rules or do not meet the targets.

In the selection of new suppliers, the Group has compared at least three different companies, taking account of their operational and compliance records as well as their commitment level on top of cost consideration. Prior to conducting business with suppliers, we carry out annual reviews and evaluations in various aspects including occupational health and safety, employee rights protection, environmental protection and corporate social responsibility. This ensures that our operations comply with national standards or relevant regulations and that we have no child or forced labor issues. The assessment results will be used as a benchmark for the continuation or termination of cooperation in the future.

The Group maintains close liaison with its suppliers to monitor its performance to ensure that it is consistent with its service commitment.

B6. Product Responsibility

General Disclosure

Quality and Safety of Products and Services

The Group pays high attention to the quality and safety of its services. The Group has established relevant quality and safety inspection policies for different projects, communicates with our customers and confirms their project expectation and direction prior launching any project, and actively coordinates projects with customers in the process of providing services.

Intellectual Property Management

The Group's day-to-day operations involve the use of the intellectual property owned by customers, suppliers or the Group itself. Therefore, the protection of intellectual property rights is an extremely important task for the Group. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms. The Group's legal department will also review all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project.

During the year ended 31 December 2018, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Hong Kong Intellectual Property Law, Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Copyright Law of the People's Republic of China.

During the year ended 31 December 2018, the Group was not aware of any non-compliance with relevant laws and regulations related to product responsibility.

B7. Anti-Corruption

General Disclosure

Prevention of Corruption and Fraud

Preventive Measures, Enforcement and Monitoring

The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption and anti-bribery work so as to achieve the business philosophy of "abiding by the law, integrity and quality service". For projects with higher monetary value, the Group makes an open bidding invitation to at least three suppliers. Different level of approval and authorisation is required according to the size of the tender agreement.

Reporting Mechanism

The mechanism includes the establishment of an inspection team and the establishment of a channel for evaluation and reporting. It is strictly forbidden to use the business opportunities or powers to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing within the Group voluntarily.

The Group has complied with major relevant laws and regulations including Hong Kong's "Prevention of Bribery Ordinance" and the Mainland's "Corruption Ordinance of the People's Republic of China".

During the year ended 31 December 2018, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

B8. Community Investment

General Disclosure

Contributions to Society

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development.

The Group enhances the quality of life of community through arts, culture and entertainment using on demand systems and activities. Following the development of culture, the community can gain a deeper understanding of history and culture and cultivate higher appreciation of the present and future cultural activities and to a greater level of enjoyment.

The Group will also actively encourage employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

As a moral and responsible enterprise, the Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

Report of the Directors

The Directors present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A fair business review of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 6 and pages 7 to 21 respectively of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The risk management policies and practices of the Group are shown in note 41 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has actively participated in sustainability and social responsibility and recognises its responsibility to protect the environment from its business activities. The Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group during the year.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2018 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 79 to 176 of this annual report.

DIVIDEND

The Board of the Company does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of change in equity, respectively in this annual report.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserve available for distribution, in accordance with the Companies Law of the Cayman Islands, amounted to HK$606,000. Such amount includes the Company's share premium and capital reserve, net of accumulated losses which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, if any, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report. This summary does not form part of the audited financial statements for the year ended 31 December 2018.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

There were no movements in the Company's share capital during the year ended 31 December 2018. Details of the share capital of the Company for the year are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DONATIONS

The Group made charitable donations totaling HK$1,388,000 (2017: HK$353,000) for the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, sales to the Group's largest customer and five largest customers accounted for approximately 40.6% and 93.2% respectively of the total revenue of the Group for the year. Purchases from the Group's largest supplier and five largest suppliers, which comprise third-party manufacturers, accounted for approximately 76.7% and 96.1% respectively of the total purchases of the Group for the year ended 31 December 2018.

Report of the Directors

To the best knowledge of the Directors, none of the Directors, any of their close associates (within the meaning of the Listing Rules) or any Shareholders who or which owns more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2018.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group maintains a good relationship with suppliers and customers. During the year ended 31 December 2018, there were no material and significant dispute between the Group and its suppliers and/or customers.

DIRECTORS

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

Executive Directors
Mr. Li Qing *(Chairman) (Note 1)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Liu Zhijun
Ms. Yi Sha
Ms. Wang Mengsu *(Note 2)*
Mr. Hon Ming Sang
Mr. Jia Bowei *(Note 3)*
Mr. Wong Nga Leung *(Note 4)*

Independent Non-executive Directors
Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

Notes:

1. Appointed as Executive Director and the Chairman of the Board with effect from 15 January 2019.

2. Appointed as Executive Director with effect from 15 January 2019.

3. Resigned as Executive Director and the Chairman of the Board with effect from 15 January 2019.

4. Resigned as Executive Director with effect from 15 January 2019.

Pursuant to Article 83(3) of the Articles, each of Mr. Li Qing and Ms. Wang Mengsu are subject to re-election at the first general meeting of the Company after their appointments, being the AGM.

Pursuant to Article 84 of the Articles, Ms. Yi Sha, Mr. Hon Ming Sang and Mr. Lam Ho Pong shall retire from office as Directors by rotation and, are eligible, offer themselves for re-election at the AGM.

Report of the Directors

BIOGRAPHIES OF DIRECTORS

Biographical details of the Directors are set out on pages 22 to 24 of this annual report.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules from (i) each of Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong, being the current Independent Non-executive Directors, and as at the date of this annual report, the Company still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a letter of appointment with the Company for a term of 3 years commencing from his/her date of appointment which term will continue, and such letter of appointment may be terminated by either party by serving not less than one-month's prior written notice to the other party. Each Director will be re-elected at the AGM in accordance with the Articles.

Save as disclosed above, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration for the year ended 31 December 2018 are set out in note 8 to the consolidated financial statements.

REMUNERATION POLICY

The Directors' remuneration including the Directors' fees is subject to the Shareholders' approval at general meeting. Other emoluments are recommended by the Remuneration Committee for the Board approval, having regard to the operating results of the Group, individual performance and comparable market statistics.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Related Party Transactions/Exempted Continuing Connected Transactions" on Page 61 of this annual report and notes 26, 28 and 38 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company's holding company or any of the Company's subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, during the year and up to the date of this report, none of the Directors are considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group required to be disclosed under the Listing Rules.

Name of the Director	Position(s) within the Company	Position(s) in other companies which may compete with the Group
Mr. Li Qing	Executive Director and Chairman of the Board	SFund International Investment Fund Management Limited – chairman of the board and director
Mr. Liu Zhijun	Executive Director	廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd.*) – general manager
Ms. Yi Sha	Executive Director	廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd.*) – financial controller SFund International Investment Fund Management Limited –director
Ms. Wang Mengsu	Executive Director	SFund International Investment Fund Management Limited – assistant general manager and investment director

RELATED PARTY TRANSACTIONS/EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in note 26, 28 and 38 to the consolidated financial statements which constituted exempted continuing connected transactions under Chapter 14A of the Listing Rules.

During the year, the Group had the following continuing connected transactions which are exempted from the reporting, announcement or independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules and are included herein for information only.

1. Loan Agreement with Mr. Lai Leong

On 25 October 2017 and 11 December 2018, Globe Castle Limited, an indirectly wholly-owned subsidiary of the Company, entered into a loan agreement with Mr. Lai Leong, who is deemed to be interested in 36.93% shareholding of the Company as at 31 December 2018, pursuant to which Mr. Lai Leong had agreed to provide the loans to the Globe Castle Limited in the principal amount of HK$2,500,000 and HK$1,000,000, respectively (the "Loans"), at interest rate of 5% per annum with a term of 6 months. Mr. Lai Leong through his wholly-owned company, Plus Value International Limited, holds 177,300,000 Shares, representing 36.93% of the issued share capital of the Company and thus Mr. Lai Leong and Plus Value International Limited are the controlling Shareholders as at 31 December 2018. For the year ended 31 December 2018, the interest expense to Mr. Lai Leong was HK$124,000. The Loans were settled during the year.

2. Bond Subscription Agreement with Kapok Spirit Investment Limited

On 27 October 2017, the Company, as the issuer, entered into the Subscription Agreement A with Kapok Spirit Investment Limited, a company indirectly wholly-owned by Guangzhou Industry Investment Fund Management Co., Ltd., a substantial Shareholder, as the subscriber, in relation to the subscription of the Bonds. The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. Kapok Spirit Investment Limited is an associate of Guangzhou Industry Investment Fund Management Co., Ltd. Ms. Wang Mengsu, the Executive Director of the Company, is the director of Kapok Spirit Investment Limited. Under the Listing Rules and is therefore a connected person of the Company as defined under the Listing Rules. For the year ended 31 December 2018, the interest expense in relation to the Bonds was HK$6,388,000.

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have entered into: (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the year which should be disclosed pursuant to the requirements under the Listing Rules.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2018, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares of the Company in or debentures of the Company granted to any of the Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 20 June 2014 (the "Share Option Scheme") which became effective on 11 July 2014. The purpose of the Share Option Scheme is to motivate certain eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Eligible persons of the Share Option Scheme, amongst others, include any executives, any employee (including proposed, full-time or part time employee), a director or proposed director (including an Independent Non-executive Director) of any member of the Group, a direct or indirect shareholder of any member of the Group and an associate of any of the aforementioned persons.

The maximum number of shares which may be issued under the Share Option Scheme and any other schemes of the Group must not exceed 48,000,000 shares, representing 10% of the total number of shares in issue as at the date of listing of the shares of the Company on the Stock Exchange.

The maximum number of shares issued and to be issued upon exercise of the options granted to any one eligible person (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued shares from time to time unless approved in advance by the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) (if such eligible person is a connected person) abstaining from voting.

Any offer of an option under the Share Option Scheme proposed to be made to a Director, Chief Executive or substantial Shareholder or to any of their respective associates must first be approved by the Independent Non-executive Directors (excluding Independent Non-executive Director who or whose associate is the grantee of the option). In addition, where any grant of options to a substantial Shareholder (as defined in the Listing Rules) or an Independent Non-executive Director or to any of their respective associates which would result in the relevant class of securities in issue and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) in excess of 0.1% of the relevant class of securities in issue; and (ii) with an aggregate value (based on the closing price of the securities at the date of each grant) in excess of HK$5,000,000, such further grant of options is subject to approval by the Shareholders in general meeting, with such person, his associates and all core connected persons (as defined in the Listing Rules) of the Company abstaining from voting.

The offer of a grant of options under the Share Option Scheme may be accepted by the eligible person for a period of 28 days from the date of the offer and by payment received by the Company of HK$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance with the Share Option Scheme.

The Share Option Scheme will be valid and effective for a period of ten years from 20 June 2014.

The exercise price is determined by the Board and shall be at least the highest of: (i) the nominal value of a share; (ii) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

As at 31 December 2018, no share options were granted, cancelled, lapsed or forfeited under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 31 December 2018.

EQUITY-LINKED AGREEMENTS

For the year, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2018.

CONTRACTS OF SIGNIFICANCE

On 25 October 2017 and 11 December 2018, Globe Castle Limited, an indirectly wholly-owned subsidiary of the Company, entered into a loan agreement with Mr. Lai Leong, who is deemed to be interested in 36.93% shareholding of the Company as at 31 December 2018, pursuant to which Mr. Lai Leong had agreed to provide the loans to the Globe Castle Limited in the principal amount of HK$2,500,000 and HK$1,000,000, respectively, at interest rate of 5% per annum with a term of 6 months. The net proceeds from the loan are used by the Group as general working capital of the Group.

On 27 October 2017, the Company, as the issuer, entered into the Subscription Agreement A with a company indirectly wholly-owned by Guangzhou Industry Investment Fund Management Co., Ltd., a substantial Shareholder, as the subscriber, in relation to the subscription of the Bonds. The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. The net proceeds from the issuance of the Bonds are used by the Group as general working capital of the Group, in particular towards money lending and financial services business and to finance suitable investment opportunities if and when they arise.

Save as disclosed above and in note 26, 28 and 38 to the consolidated financial statements, the Company neither has any contract of significance between the Company, or any of its subsidiaries, and a controlling Shareholder or any of its subsidiaries nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries. The Group's business in which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as is known to the Directors or Chief Executive of the Company, the following persons (other than Directors or Chief Executive of the Company), who had interests or short positions in the shares and the underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO were as follows.

Long positions in the Ordinary Shares of HK$0.01 each of the Company

Name of Shareholder	Capacity/Nature of Interests	Number of Shares held		Approximate Shareholding Percentage	
		Long Position	Short Position	Long position	Short Position
SFund International Investment Fund Management Limited *(Note 1)*	Beneficial owner	360,000,000	90,000,000	75%	18.75%
廣州產業投資基金管理有限公司 Guangzhou Industry Investment Fund Management Co., Ltd.* *(Note 1)*	Interest in a controlled corporation	360,000,000	90,000,000	75%	18.75%
廣州市城市建設投資集團有限公司 Guangzhou City Construction Investment Group Limited* *(Note 1)*	Interest in a controlled corporation	360,000,000	90,000,000	75%	18.75%
廣州滙垠天粵股權投資基金管理有限公司 Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd.* *(Note 1)*	Interest in a controlled corporation	360,000,000	90,000,000	75%	18.75%
廣州科技金融創新投資控股有限公司 Guangzhou Technology Financial Innovation Investment Holdings Ltd.* *(Note 1)*	Interest in a controlled corporation	360,000,000	90,000,000	75%	18.75%
Plus Value International Limited *(Note 2)*	Beneficial owner	177,300,000	–	36.93%	–
Lai Leong *(Note 2)*	Interest in a controlled corporation	177,300,000	–	36.93%	–

Notes:

1. Based on the filing information from the disclosure of interests form, the interests in 360,000,000 Shares included 139,200,000 Shares were interest in shares and derivative interests in 220,800,000 Shares which were unlisted physically settled equity derivatives. SFund International Investment Fund Management Limited is wholly-owned by Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd.*, which is owned as to 95% by Guangzhou Technology Financial Innovation Investment Holdings Ltd.* and as to 5% by Guangzhou Industry Investment Fund Management Co., Ltd*. Guangzhou Technology Financial Innovation Investment Holdings Ltd. is wholly-owned by Guangzhou Industry Investment Fund Management Co., Ltd.* Guangzhou Industry Investment Fund Management Co., Ltd.* is wholly-owned by Guangzhou City Construction Investment Group Limited.*

2. Plus Value International Limited is wholly-owned by Mr. Lai Leong. By virtue of the SFO, Mr. Lai Leong is deemed to be interested in the Shares held by Plus Value International Limited.

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

CHANGE OF DIRECTORS' INFORMATION

During the year ended 31 December 2018 and up to the date of this annual report, the updated information on Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follow:

1. Mr. Li Qing
   – Appointed as an Executive Director and the Chairman of the Board of the Company with effect from 15 January 2019.
   – The terms of his letter of appointment as Executive Director as follow:

     Director's remuneration: HK$10,000 per month

     Term: 3 years commencing on 15 January 2019 which term will be continued. He will hold office until the next following annual general meeting of the Company after his appointment and will be subject to the re-election and retirement by rotation requirements under the Articles of Association of the Company.

2. Mr. Liu Zhijun
   – Re-designated from deputy general manager to general manage of 廣州產業投資基金管理有限公司(Guangzhou Industry Investment Fund Management Co., Ltd.*), which is indirectly substantial shareholder of the Company, with effect from 7 December 2018.

3. Ms. Wang Mengsu	– Appointed as an Executive Director of the Company with effect from 15 January 2019.	
	– The terms of her letter of appointment as Executive Director as follow:	
	Director's remuneration:	HK$10,000 per month
	Term:	3 years commencing on 15 January 2019 which term will be continued. She will hold office until the next following annual general meeting of the Company after her appointment and will be subject to the re-election and retirement by rotation requirements under the Articles of Association of the Company.
4. Mr. Jia Bowei	– Resigned as an Executive Director and the Chairman of the Board of the Company with effect from 15 January 2019 and remain as a director of certain subsidiaries within the Group.	
5. Mr. Wong Nga Leung	– Resigned as an Executive Director of the Company with effect from 15 January 2019 and remain as a director of certain subsidiaries within the Group.	
6. Mr. Fok Ho Yin, Thomas	– Appointed as independent non-executive director of DaFa Properties Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 6111) with effect from 10 October 2018.	

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO ANY ENTITY

Provision of Financial Assistance Amounting to HK$20,000,000

On 19 December 2016, Capital Strategic (as lender) entered into the DT Loan Agreement with the Borrower, pursuant to which, Capital Strategic agreed to provide the DT Loan for a period of 6 months following the date of the first drawdown at an interest rate of 13% per annum payable on the date falling 6 months from the first drawing of the DT Loan (the "Provision of the Loan").

As at 19 June 2017, the DT Loan was drawn down by the Borrower and a repayment of HK$1,800,000 was made by the Borrower pursuant to the DT Loan Agreement. As the term of the DT Loan Agreement had expired on 18 June 2017, Capital Strategic and the Borrower had entered into First Supplemental Deed to, among other matters, (i) extend the maturity date from 19 June 2017, being the immediate following business day of the maturity date which falls on a non-business day, to 18 December 2017; and (ii) revise the DT Loan granted under the DT Loan Agreement down to HK$18,200,000. Other than the maturity date which had been extended to 18 December 2017 and the amount of the DT Loan had been revised down to HK$18,200,000 pursuant to the First Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of First Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK$2,566,000 was made by the Borrower pursuant to the DT Loan Agreement and the First Supplemental Deed. As at 18 December 2017, the outstanding DT Loan principal and interest amounts in total was approximately HK$16,275,000. As the term of the First Supplemental Deed had expired on 18 December 2017, Capital Strategic and the Borrower had on 18 December 2017 entered into the Second Supplemental Deed to, among other matters, (i) extend the maturity date from 18 December 2017 to 18 June 2018; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK$16,275,000. Other than the maturity date which had been extended to 18 June 2018 and the amount of the DT Loan had been revised down to approximately HK$16,275,000 pursuant to the Second Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of Second Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK$5,113,000 was made by the Borrower pursuant to the DT Loan Agreement, the First Supplemental Deed and the Second Supplemental Deed. As at 18 June 2018, the outstanding DT Loan principal and interest amounts in total was approximately HK$11,265,000. As the term of the Second Supplemental Deed had expired on 18 June 2018, Capital Strategic and the Borrower had on 18 June 2018 entered into the Third Supplemental Deed to, among other matters, (i) extend the maturity date from 18 June 2018 to 18 June 2019; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK$11,265,000. Other than the maturity date which had been extended to 18 June 2019 and the amount of the DT Loan had been revised down to approximately HK$11,265,000 pursuant to the Third Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

As at 31 December 2018, the DT Loan was still outstanding with a loan principal of approximately HK$11,265,000. The grant of the DT Loan under the DT Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules.

Provision of Loan to an Entity Amounting to HK$180,000,000

On 24 November 2017, Capital Strategic, as the lender, entered into the MT Loan Agreement with Yuan Heng, as the borrower, pursuant to which, Capital Strategic would provide the MT Loan to Yuan Heng for a term of 6 months from the date of drawdown, which was 25 January 2018 and could be further extended for another 6 months with written consent of Capital Strategic (or any other dates as may be agreed by Capital Strategic and Yuan Heng in writing) at the interest rate of 10% per annum which will be paid monthly.

The MT Loan is secured by (i) the Share Charge executed by Firmwill, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Yuan Heng, in favor of Capital Strategic, whereby, Firmwill would execute the charge over 1 share in Fully World, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Firmwill, representing the entire issued share capital of Fully World, to Capital Strategic; and (ii) Floating Charge over all or any part of the property and/or assets of Fully World created by Fully World in favour of Capital Strategic. Yuan Heng had repaid HK$100,000,000 of the MT Loan to Capital Strategic by 6 August 2018.

On 25 January 2019, Capital Strategic and Yuan Heng entered into the Supplemental Agreement pursuant to extend the maturity date of the remaining HK$80,000,000 of the MT Loan to 25 July 2019 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The MT Loan continues to be secured by the Share Charge and the Floating Charge.

Details of the transaction are set out in the announcements of the Company dated 24 November 2017, 25 January 2018, and 25 January 2019 and circular dated 22 December 2017, respectively. The transaction was completed on 25 January 2018 and the MT Loan is still outstanding as at 31 December 2018. The grant of the MT Loan under the MT Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules.

Provision of Financial Assistance Amounting to HK$40,000,000

On 14 February 2018, Capital Strategic, as the lender, entered into the Loan Agreement with China-HK, as the borrower, pursuant to which Capital Strategic would provide a loan facility of HK$40,000,000 (the "Loan") to China-HK for a term of 6 months from the date of the relevant drawdown, which could be extended upon the requested of China-HK and subject to agreement of Capital Strategic in writing, at the interest rate of 12% per annum which will be paid on the relevant repayment dates of the Loan drawn down.

On 14 August 2018, Capital Strategic entered into a supplemental loan agreement with China-HK to, among other matters, extend the maturity date from 14 August 2018 to 14 February 2019. Other than the maturity date which had been extended to 14 February 2019 pursuant to the supplemental loan agreement, the principal terms of the Loan Agreement remains applicable to Capital Strategic and China-HK in connection with the Loan.

The Loan is secured by (i) charge over 10,000 shares of China-HK, being the entire issued share capital of the China-HK, in favour of Capital Strategic, by Wide Merit Limited, a company incorporated in the British Virgin Islands, being the holding company of China-HK; and (ii) charges over the entire share capital of 長三角徐州石油科技有限公司(Changsanjiao Xuzhou Petroleum Technology Company Limited*), being a wholly-owned subsidiary of China-HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited*), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited.

The provision of the Loan under the Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Loan are set out in the announcement of the Company dated 14 February 2018 and 14 August 2018. The Loan is still outstanding as at 31 December 2018.

Save as disclosed above, the Group did not have any other provision of financial assistance and advance to an entity.

SUBSEQUENT EVENTS

On 25 January 2019, Capital Strategic and Yuan Heng entered into the supplemental agreement pursuant to extend the maturity date of the remaining HK$80,000,000 of the MT Loan to 25 July 2019 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The MT Loan continues to be secured by the Share Charge and the Floating Charge. The provision of MT Loan would constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the transaction are set out in the announcements of the Company dated 24 November 2017, 25 January 2018 and 25 January 2019 and circular dated 22 December 2017, respectively.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISIONS

Pursuant to Code Provision A.1.8 of the CG Code set out under Appendix 14 to the Listing Rules and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of any losses or liabilities incurred, or any legal actions brought against the Directors and management of the Group which may arise out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM to be held on Wednesday, 22 May 2019, the register of members of the Company will be closed from Thursday, 16 May 2019 to Wednesday, 22 May 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 15 May 2019 (Hong Kong time).

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 25 to 41 of this annual report.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company established the Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, risk management and internal controls systems of the Group. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk management and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2018 with the management and the Company's external auditor, Ernst & Young.

AUDITOR

Ernst & Young will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the AGM.

By order of the Board
Li Qing
Chairman

Hong Kong, 25 March 2019

The English translation of Chinese names or words in this report, where indicated by "", are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

Independent Auditor's Report

To the shareholders of SFund International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of SFund International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 176, 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 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS *(continued)*

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Expected credit losses ("ECL") for loans receivable	
The adoption of HKFRS 9 *Financial Instruments* ("HKFRS 9") has changed the Group's accounting for impairment losses of loans receivable by replacing HKAS 39 *Financial Instruments: Recognition and Measurement's* incurred loss approach with a forward-looking expected credit loss approach. As at 31 December 2018, the Group had loans receivable measured at amortised cost amounted to HK$131.3 million. Impairment losses recognised in the consolidated statement of profit or loss for the year in respect of the Group's loans receivable amounted to HK$0.2 million. Management engaged an independent professionally qualified valuer to assess the expected credit losses for each of the loans receivable by applying the probability of default approach under HKFRS 9. Significant estimates are required in determining the expected credit losses of loans receivable. Related disclosures are included in notes 2.4, 3 and 21 to the consolidated financial statements.	In evaluating management's assessment, our audit procedures included: (i) reviewing background information and repayment capability of the debtors such as credit assessment and financial strengths of the debtors; (ii) checking data inputs for the expected credit loss calculations against loan agreements; (iii) for loans receivable classified at stage 1, checking the parameters to external data sources, where available, and estimation methodology, including forward looking factors; (iv) for loans receivable classified at stage 3, assessing the impairment allowance with consideration of recoverable cash flows and valuation of collateral. We also evaluated the adequacy of related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill and intangible assets with indefinite useful life	
As at 31 December 2018, the Group recorded goodwill and intangible assets with indefinite useful life ("Intangible Assets") (net of impairment) of HK$28.2 million relating to the money lending, fund management services, securities dealing and asset management cash generating units ("CGU"). In accordance with HKAS 36 *Impairment of Assets*, management is required to test goodwill for impairment at least annually. Goodwill and Intangible Assets with indefinite useful life are tested for impairment annually or more frequently if events or changes in circumstances indicate that their carrying amounts may be impaired. Impairment of goodwill and Intangible Assets of approximately HK$1.2 million was provided for the year ended 31 December 2018. The recoverable amounts of the Group's CGU and Intangible Assets have been determined based on either respective CGUs' or Intangible Assets' fair value less cost of disposal or value in use calculations with the assistance from an independent professionally qualified valuer (the "external valuer"). Significant estimation and management judgement was involved in the assessment of the recoverable amounts, including assumptions on discount rates, growth rates and general price inflation. The related disclosures are included in notes 2.4, 3, 15 and 16 to the consolidated financial statements.	We evaluated management's impairment assessment of goodwill and Intangible Assets. The key audit procedures are as follows: (i) obtaining an understanding of current and expected future business developments of the CGUs and Intangible Assets and factors that might affect key assumptions and estimates of the fair values or cash flow projections and discount rates applicable to the CGUs and the Intangible Assets; (ii) evaluating the objectivity, independence, capabilities and competence of the external valuer engaged by the Group; (iii) involving our internal valuation specialists to assist us in evaluating the methodologies used and certain key assumptions and estimates made by management and/or the external valuer, including, inter alia, the specific discount rate and long term growth rate of each relevant CGU for the assessment of value in use, and estimates for the assessment of fair value less cost of disposal. We also evaluated the adequacy of related disclosure in the consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matters	How our audit addressed the key audit matters
Expected credit loss of receivables from/loan to third-party manufacturers	
As at 31 December 2018, the Group recorded receivables from third-party manufacturers, who are the suppliers of the Group, of HK$3.5 million and a loan to a third-party manufacturer of HK$6.1 million, representing in aggregate approximately 3% of the Group's total assets at the end of the reporting period, which were included in prepayments, deposits and other receivables. As at 31 December 2018, a loss allowance for the respective receivables amounted to HK$0.2 million. Significant management estimates are required in determining the impairment losses of receivables from/loan to third-party manufacturers under the expected credit loss model in accordance with HKFRS 9. Management applied the probability of default approach in calculating the expected credit losses under HKFRS 9. The relevant disclosures are included in notes 2.4, 3 and 22 to the consolidated financial statements.	In evaluating management's assessment, our procedures included: (i) considering the stage classification determined by the Group; (ii) evaluating management's procedures over ageing profile of balances with third-party manufacturers and amounts in dispute; and (iii) assessing the value of the collateral. For receivables from third-party manufacturers, we also evaluated the status of the relevant job orders and whether the relevant sub-contracting fees payable to the third-party manufacturers were sufficient to cover the outstanding receivables. We also evaluated the adequacy of related disclosures in the consolidated financial statements.
Accounting for income taxes	
The Group operates in various jurisdictions/countries. The tax provision assessment was complex and involved significant management judgement to determine whether the Group's transactions were subject to tax, taking into consideration tax regulations, interpretations and practices prevailing in the jurisdictions/countries in which the Group operates. The relevant disclosures are included in notes 2.4, 3 and 10 to the consolidated financial statements.	In evaluating management's assessment on income tax positions, our procedures included obtaining an understanding of the Group's transaction nature, design and execution workflow, examining correspondence with the relevant tax authorities, and evaluating tax implications of the transactions and assumptions used to determine tax positions, with the assistance of our tax specialists.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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.

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

The engagement partner on the audit resulting in this independent auditor's report is Kwong Chun Kit.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

25 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**137,744**	259,106
Cost of sales and services rendered		**(104,201)**	(212,797)
Gross profit		**33,543**	46,309
Other income and gains	5	**18,897**	2,130
Selling and distribution costs		**(3,704)**	(2,652)
Administrative expenses		**(120,171)**	(86,473)
Other expenses, net		**(4,695)**	(689)
Finance costs	6	**(21,094)**	(1,817)
Share of profit of an associate		**125**	–
LOSS BEFORE TAX	7	**(97,099)**	(43,192)
Income tax	10	**(1,898)**	(806)
LOSS FOR THE YEAR		**(98,997)**	(43,998)
Attributable to:			
Owners of the parent		**(101,279)**	(44,159)
Non-controlling interests		**2,282**	161
		(98,997)	(43,998)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic and diluted		**HK(21.10) cents**	HK(9.20) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
LOSS FOR THE YEAR	**(98,997)**	(43,998)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,717)**	859
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(2,717)**	859
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(101,714)**	(43,139)
Attributable to:		
Owners of the parent	**(102,817)**	(43,524)
Non-controlling interests	**1,103**	385
	(101,714)	(43,139)

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,165**	5,514
Right-of-use assets	14	**10,824**	11,494
Goodwill	15	**11,110**	12,320
Intangible assets	16	**17,100**	17,100
Investment in an associate	17	**1,770**	–
Available-for-sale investments	18	**–**	2,713
Financial assets at fair value through profit or loss	18	**3,509**	7,238
Deposits and other receivables	22	**6,298**	6,219
Total non-current assets		**53,776**	62,598
CURRENT ASSETS			
Inventories	19	**50**	20
Accounts receivable	20	**42,139**	51,177
Loans receivable	21	**131,256**	16,275
Prepayments, deposits and other receivables	22	**43,398**	18,765
Tax recoverable		**–**	106
Cash and cash equivalents	23	**40,159**	99,841
Total current assets		**257,002**	186,184
CURRENT LIABILITIES			
Trade payables	24	**7,337**	12,304
Other payables and accruals	25	**52,530**	20,247
Interest-bearing bank and other borrowings	26	**7,816**	7,684
Bonds payable	28	**79,962**	–
Tax payable		**10,109**	9,991
Total current liabilities		**157,754**	50,226
NET CURRENT ASSETS		**99,248**	135,958
TOTAL ASSETS LESS CURRENT LIABILITIES		**153,024**	198,556
NON-CURRENT LIABILITIES			
Other payables and accruals	25	**6,528**	8,100
Interest-bearing other borrowing	26	**–**	86
Bonds payable	28	**138,131**	80,000
Deferred tax liabilities	29	**2,867**	2,978
Total non-current liabilities		**147,526**	91,164
Net assets		**5,498**	107,392

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**4,800**	4,800
Reserves	31	**(21,198)**	81,776
		(16,398)	86,576
Non-controlling interests	32	**21,896**	20,816
Total equity		**5,498**	107,392

Li Qing
Director

Lam Kwan Sing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Attributable to owners of the parent									
	Issued capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 Note 31(a)	Exchange fluctuation reserve HK$'000	Legal reserve HK$'000 Note 31(b)	Merger reserve HK$'000 Note 31(c)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	4,800	48,873	10,071	(691)	49	8,417	58,581	130,100	–	130,100
Profit/(loss) for the year	–	–	–	–	–	–	(44,159)	(44,159)	161	(43,998)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	635	–	–	–	635	224	859
Total comprehensive income for the year	–	–	–	635	–	–	(44,159)	(43,524)	385	(43,139)
Acquisition of a subsidiary (note 33(c))	–	–	–	–	–	–	–	–	20,431	20,431
At 31 December 2017	4,800	48,873*	10,071*	(56)*	49*	8,417*	14,422*	86,576	20,816	107,392

	Attributable to owners of the parent									
	Issued capital HK$'000	**Share premium HK$'000**	**Capital reserve HK$'000 Note 31(a)**	**Exchange fluctuation reserve HK$'000**	**Legal reserve HK$'000 Note 31(b)**	**Merger reserve HK$'000 Note 31(c)**	**Retained profits/ accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 31 December 2017	**4,800**	**48,873**	**10,071**	**(56)**	**49**	**8,417**	**14,422**	**86,576**	**20,816**	**107,392**
Effect of change in accounting policy (note 2.2)	**–**	**–**	**–**	**–**	**–**	**–**	**(157)**	**(157)**	**(23)**	**(180)**
At 1 January 2018	**4,800**	**48,873**	**10,071**	**(56)**	**49**	**8,417**	**14,265**	**86,419**	**20,793**	**107,212**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(101,279)**	**(101,279)**	**2,282**	**(98,997)**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(1,538)**	**–**	**–**	**–**	**(1,538)**	**(1,179)**	**(2,717)**
Total comprehensive income for the year	**–**	**–**	**–**	**(1,538)**	**–**	**–**	**(101,279)**	**(102,817)**	**1,103**	**(101,714)**
At 31 December 2018	**4,800**	**48,873***	**10,071***	**(1,594)***	**49***	**8,417***	**(87,014)***	**(16,398)**	**21,896**	**5,498**

* These reserve accounts comprise the consolidated reserves of HK$(21,198,000) (2017: HK$81,776,000) in the consolidated statement of financial position as at 31 December 2018.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(97,099)**	(43,192)
Adjustments for:			
Share of profit of an associate		**(125)**	–
Bank interest income	5	**(339)**	(184)
Imputed interest income on non-interest-bearing financial arrangement	5	**(83)**	(78)
Gain on disposal of a property	5	**(15,600)**	–
Gain on remeasurement of an available-for-sale investment	5	**–**	(248)
Distribution income	5	**(134)**	–
Finance costs	6	**21,094**	1,817
Depreciation of property, plant and equipment	7	**2,176**	1,648
Depreciation of right-of-use assets	7	**5,710**	5,912
Impairment/(reversal of impairment) of accounts receivable	7	**517**	(63)
Impairment of loans receivable	7	**188**	–
Impairment of other receivables	7	**124**	–
Impairment of goodwill	7	**1,210**	–
Reversal of provision for slow-moving inventories	7	**(91)**	(104)
		(82,452)	(34,492)
Decrease in inventories		**59**	97
Decrease in accounts receivable		**7,424**	6,214
Decrease/(increase) in loans receivable		**(115,190)**	3,725
Decrease/(increase) in prepayments, deposits and other receivables		**(26,295)**	21,387
Decrease in financial assets at fair value through profit or loss		**6,016**	3,290
Decrease in trade payables		**(4,967)**	(1,962)
Increase/(decrease) in other payables and accruals		**33,953**	(6,729)
Cash used in operations		**(181,452)**	(8,470)
Interest received		**339**	184
Hong Kong profits tax refunded/(paid)		**98**	(202)
Overseas and Mainland China taxes paid		**(1,848)**	(37)
Net cash flows used in operating activities		**(182,863)**	(8,525)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,554)**	(1,810)
Proceeds from disposal of a property		**17,250**	–
Purchase of an available-for-sale investment		**–**	(95)
Investment in an associate		**(1,645)**	–
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		**1,201**	(1,201)
Distribution income received		**134**	–
Redemption of unlisted investment		**297**	–
Acquisition of subsidiaries	33	**–**	(8,726)
Net cash flows from/(used in) investing activities		**15,683**	(11,832)

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New trade finance loans		**6,290**	33,018
Repayment of trade finance loans		**(8,392)**	(43,004)
Proceeds from other borrowings		**8,657**	5,500
Repayment of other borrowings		**(6,500)**	–
Proceeds from issuance of bond		**217,800**	80,000
Repayment of a bond payable		**(85,000)**	–
Capital element of finance lease rental payments		**(81)**	(75)
Lease payments		**(6,213)**	(6,309)
Interest paid		**(16,399)**	(183)
Net cash flows from financing activities		**110,162**	68,947
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(57,018)**	48,590
Cash and cash equivalents at beginning of year		**98,640**	49,286
Effect of foreign exchange rate changes, net		**(1,463)**	764
CASH AND CASH EQUIVALENTS AT END OF YEAR		**40,159**	98,640
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**40,159**	77,919
Non-pledged time deposits with original maturity of less than three months when acquired		**–**	20,721
Non-pledged time deposits with original maturity of more than three months when acquired		**–**	1,201
Cash and cash equivalents as stated in the consolidated statement of financial position		**40,159**	99,841
Less: Non-pledged time deposits with original maturity of more than three months when acquired		**–**	(1,201)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**40,159**	98,640

1. CORPORATE AND GROUP INFORMATION

SFund International Holdings Limited was incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Plus Value International Limited, which is incorporated in the British Virgin Islands (the "BVI"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Suites 904–5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

During the year, the Group was principally engaged in (i) the trading of apparel products and provision of apparel supply chain management services; (ii) the provision of financial services; (iii) the money lending business; and (iv) securities investment.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hanbo Enterprises Limited	Hong Kong/ Mainland China	HK$10,000	100	–	Trading of apparel products and provision of apparel supply chain management services
Hanbo Enterprises Limited – Macao Commercial Offshore	Macau	MOP100,000	–	100	Trading of apparel products
Hanbo Enterprises (Holding) Limited*	BVI	US$50,000	100	–	Investment holding
Hanbo GSC (Cambodia) Ltd.*	Cambodia	KHR4,000,000,000	–	100	Provision of apparel supply chain management services
Superbo Trading Co. Limited	Hong Kong	HK$1,000,000	–	100	Property investment and provision of management services
億寶服裝(深圳)有限公司#* Yibao Clothing (Shenzhen) Co., Ltd. @	People's Republic of China ("PRC")/ Mainland China	HK$16,370,000	–	100	Provision of apparel supply chain management services
Globe Castle Limited*	Hong Kong	HK$1	–	100	Provision of management services
Master Step Management Limited*	Hong Kong	HK$1	–	100	Provision of management services
Capital Strategic Partners Limited*	Hong Kong	HK$610,000	–	100	Money lending
Mega Perfect Business Limited*	BVI	US$100	–	100	Securities investment
Benington Capital Limited* ("Benington")	Hong Kong	HK$2,700,000	–	100	Provision of asset management and advisory services
Nan Guo International Securities Limited* ("Nan Guo")	Hong Kong	HK$13,700,000	–	100	Provision of securities brokerage services
湖南滙垠天星股權投資私募基金管理有限公司("湖南滙垠") Hunan Huiyin Tianxing Private Equity Investment Fund Management Co. Ltd. ("Hunan Huiyin Tianxing")*^@	PRC/Mainland China	RMB20,408,000	–	51	Provision of fund management services

Registered as a wholly-foreign-owned enterprise under PRC law.
* The statutory financial statements of these entities are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.
^ Registered as a Sino-foreign equity joint venture company in the PRC
@ For identification purposes only

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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*
HKFRS 9	*Financial Instruments*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Other than as explained below regarding the impact of HKFRS 9, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
		Category	Amount	Reclassification*	Remeasurement**	Category	Amount
	Notes		HK$'000	HK$'000	HK$'000		HK'000
Available-for-sale investments	(a)	AFS[1]	2,713	(2,713)	–	N/A	**-**
Financial assets at fair value through profit or loss	(a)	FVPL[2]	7,238	2,713	–	FVPL	**9,951**
Accounts receivable	(b)	L&R[3]	51,177	–	(88)	AC[4]	**51,089**
Loans receivable	(b)	L&R	16,275	–	(21)	AC	**16,254**
Financial assets included in prepayments, deposits and other receivables	(b)	L&R	18,765	–	(71)	AC	**18,694**
Cash and cash equivalents		L&R	99,841	–	–	AC	**99,841**
Equity							
Retained profits	(b)	N/A	14,422	–	(157)	N/A	**14,265**
Non-controlling interests	(b)	N/A	20,816	–	(23)	N/A	**20,793**

* Available-for-sale investments measured at cost under HKAS 39 were reclassified to financial assets at fair value through profit or loss under HKFRS 9.

** Impairment allowances for accounts receivable, loans receivable and other financial assets at amortised cost were remeasured based on a forward-looking ECL approach under HKFRS 9, resulting in decreases in accounts receivable, loans receivable, other receivables, retained profits and non-controlling interests.

1 AFS: Available-for-sale investments
2 FVPL: Financial assets at fair value through profit or loss
3 L&R: Loans and receivables
4 AC: Financial assets at amortised cost

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 20, 21 and 22 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	Remeasurement	ECL allowances under HKFRS 9 at 1 January 2018
	HK$'000	HK$'000	HK$'000
Accounts receivable	242	88	330
Loans receivable	–	21	21
Financial assets included in prepayments, deposits and other receivables	–	71	71
	242	180	422

Hedge accounting

The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and building	2% or over the lease terms, whichever rate is higher
Leasehold improvements	Over the shorter of the lease terms and 20%
Machinery and equipment	10%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	25%
Computer equipment	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The Group's intangible assets represent money lenders' licence and licences for regulated activities issued by the Securities and Futures Commission (the "SFC"), which are stated at cost less any impairment loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group as a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

The non-lease components are accounted for in accordance with the Group's policies.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

For the determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

a) is within the control of the Group; and

b) affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset and a lease liability under the lease contract.

Lease liability

Lease liability is initially recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where, (a) there is a change in the lease term as a result of reassessment of certainty to exercise an extension option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Group remeasures the lease liability to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Where, (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review, the Group remeasures the lease liability by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In such case, the Group uses a revised discount rate that reflects changes in the interest rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Lease liability *(continued)*

The Group recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:

a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Lease modifications that are not accounted for as a separate lease, the Group, at the effective date of the lease modification: (a) allocates the consideration in the modified contract; (b) determines the lease term of the modified lease; and (c) remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Right-of-use assets

The right-of-use asset is initially recognised at cost comprising:

a) an amount of the initial measurement of the lease liability;

b) any lease payments made at or before the commencement date, less any lease incentives received;

c) any initial direct costs incurred by the Group; and

d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are recognised as part of the cost of right-of-use asset when the Group incurs an obligation for these costs. The obligation for these costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After initial recognition, a lessee shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the statement of profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

General approach *(continued)*

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sales of garment*

The Group recognises revenue from sales of apparel products based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group satisfies a performance obligation when it transfers control of the apparel products to a customer, upon which the apparel products are delivered to the port of shipment. Revenue is recognised at the point in time.

(b) *Service fee*

The Group recognises revenue from service fee for supply chain management service based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group satisfies a performance obligation when the relevant services are completed. Revenue is recognised at the point in time.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(c) *Advisory service income and fund management fee income*

The provision of advisory services and fund management service is a single performance obligation that the Group satisfies over time in accordance with the terms of the respective underlying agreements.

Revenue from other sources

Net fair value changes on financial assets at fair value through profit or loss and those held for trading, including realised gains/losses which are recognised on the transaction dates when the relevant contract notes are exchanged and unrealised fair value changes which are recognised in the period in which they arise.

Other revenue and income

Rework and compensation income is recognised when the right to receive payment has been established.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Distribution income is recognised when the shareholders' right to receive payment has been established.

Rental income is recognised on a time proportion basis over the lease terms.

Employee benefits

Pension schemes

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension schemes *(continued)*

The employees of the Group's operations in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit of loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's operations in Macao are required to participate in a central social security scheme operated by the Macao Special Administrative Region government. The Group is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to the statement of profit of loss as they become payable in accordance with the rules of the central social security scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries and associate are currencies other than HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HK$ at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Purchase price allocation

The purchase price allocation of the Group's business combinations, as detailed in note 33 to the consolidated financial statements, requires the determination of fair values of the identifiable assets acquired and liabilities assumed. The net assets acquired, include amongst others, intangible assets, of which their fair values are dependent on a range of estimates including comparable sales transactions as available in the relevant market. Given the uncertainties in the estimation, the actual outcomes may be higher or lower than the estimated fair values of these items as at the date of acquisition. Where the actual outcome of these items are different from the amounts initially recorded, such difference may impact the future financial results.

Principal versus agent considerations

The Group engages third party manufacturers to provide services to certain customers. In determining whether the Group is acting as a principal or as an agent in the provision of such services requires judgement and consideration of all relevant facts and circumstances. In evaluating whether the Group acting as a principal or an agent, the Group considers whether it obtains control of the service and if necessary, also considers individually or in combination, whether the Group is primarily responsible for fulfilling the contract, is subject to inventory risk, or has discretion in establishing prices.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Determination of timing of satisfaction of performance obligations

Judgement is required in determining the timing of satisfaction of performance obligation. The Group derives revenue from the sale of finished apparel products. While the Group sub-contracts its manufacture of finished apparel products to third party manufacturers, the Group's supply chain management services are provided along with the apparel supply chain and are highly interdependent and highly interrelated with the manufacturing process to meet the specific needs of the customer. The Group carefully evaluates the terms and conditions stipulated in contracts and/or sale orders with a customer and assesses when the control of the goods has been transferred to the customer, that is, when the customer has the primary responsibility for the sale of goods, bears the risks of loss and obsolescence, and also has full discretion over the manner of distribution and price to sell the goods. The directors determine that the control is passed to the customer upon the goods are delivered to the port of shipment as this represents the point in time at which the right to consideration becomes unconditional, only the passage of time is required before payment is due.

Income taxes

The Group operates in various jurisdictions/countries with complex regulatory environments subject to different interpretations by the taxpayer and respective tax authorities. In certain of these jurisdictions, we may take positions that management believes are supportable, but are potentially subject to successful challenge by the applicable tax authority.

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions, including any potential tax liabilities. When the Group determines any transactions that may result in probable future tax outflows and the amount can be reliably measured, tax provisions are recorded accordingly. Such tax provision may not be indicative of the ultimate tax payment with tax authorities. The tax treatment of such transactions is considered periodically to take into account all changes in tax legislation.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services; the currency of the country whose competitive forces and regulations mainly determine the sale prices of the entity's goods and services; and the currency that mainly influences labour, material and other costs of providing goods or services.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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

Impairment allowances on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Impairment of goodwill and intangible assets with indefinite useful lives

The Group determines whether goodwill and intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use or fair value less costs of disposal of the cash-generating units to which the goodwill and intangible assets with indefinite useful lives are allocated. The fair value less cost of disposal is based on quoted market prices of similar transactions in the market. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the apparel trading and related services segment engages in the trading of apparel products and provision of the apparel supply chain management services;

(b) the financial services segment engages in the securities dealing business, provision of asset management services, corporate finance and related advisory services;

(c) the money lending segment engages in the provision of loan financing; and

(d) the securities investment segment engages in investment in listed and unlisted investments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

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

(a) all assets are allocated to operating segments other than unallocated assets, cash and cash equivalents and tax recoverable; and

(b) all liabilities are allocated to operating segments other than unallocated liabilities, interest-bearing bank and other borrowings, bond payable, tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2018

	Apparel trading and related services HK$'000	Financial services HK$'000	Money lending HK$'000	Securities investment HK$'000	Total HK$'000
Revenue from contracts with customers:					
Recognised at a point in time	107,652	–	–	–	107,652
Recognised over time	–	15,685	–	–	15,685
	107,652	15,685	–	–	123,337
Revenue from other sources	–	–	20,423	(6,016)	14,407
Segment revenue	107,652	15,685	20,423	(6,016)	137,744
Segment results	(50,534)	(563)	15,115	(6,022)	(42,004)
Reconciliation:					
Bank interest income					339
Corporate and other unallocated expenses					(34,340)
Finance costs					(21,094)
Loss before tax					(97,099)
As at 31 December 2018					
Segment assets	38,722	86,717	135,686	1,227	262,352
Reconciliation:					
Corporate and other unallocated assets					48,426
Total assets					310,778
Segment liabilities	24,374	94,753	128,503	8,134	255,764
Reconciliation:					
Elimination of intersegment payables					(197,662)
Corporate and other unallocated liabilities					247,178
Total liabilities					305,280
Other segment information:					
Capital expenditure*	683	871	–	–	1,554
Impairment of accounts receivable	435	82	–	–	517
Impairment of loans receivable	55	–	133	–	188
Impairment of other receivables	124	–	–	–	124
Impairment of goodwill	–	1,210	–	–	1,210
Reversal of provision for slow-moving inventories	(91)	–	–	–	(91)
Depreciation of property, plant and equipment#	1,276	687	–	–	1,963
Depreciation of right-of-use assets#	2,020	506	184	–	2,710
Investment in an associate	–	1,770	–	–	1,770
Share of profit of an associate	–	125	–	–	125

Depreciation of property, plant and equipment and depreciation of right-of-use assets amounting to HK$213,000 and HK$3,000,000, were included under corporate and other unallocated expenses.

* Capital expenditure consists of additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2017

	Apparel trading and related services HK$'000	Financial services HK$'000	Money lending HK$'000	Securities investment HK$'000	Total HK$'000
Revenue from contracts with customers:					
Recognised at a point in time	257,466	–	–	–	257,466
Recognised over time	–	2,576	–	–	2,576
	257,466	2,576	–	–	260,042
Revenue from other sources	–	–	2,354	(3,290)	(936)
Segment revenue	257,466	2,576	2,354	(3,290)	259,106
Segment results	(5,699)	(1,196)	57	(3,299)	(10,137)
Reconciliation:					
Interest income					184
Corporate and other unallocated expenses					(31,422)
Finance costs					(1,817)
Loss before tax					(43,192)
As at 31 December 2017					
Segment assets	70,671	41,014	17,724	7,243	136,652
Reconciliation:					
Corporate and other unallocated assets					112,130
Total assets					248,782
Segment liabilities	19,239	59,549	17,046	8,127	103,961
Reconciliation:					
Elimination of intersegment payables					(80,349)
Corporate and other unallocated liabilities					117,778
Total liabilities					141,390
Other segment information:					
Capital expenditure*#	1,174	17,290	–	–	18,464
Reversal of impairment of accounts receivable	(63)	–	–	–	(63)
Reversal of provision for slow-moving inventories	(104)	–	–	–	(104)
Depreciation of property, plant and equipment#	1,420	50	–	–	1,470
Depreciation of right-of-use assets#	1,930	–	233	–	2,163

\# Depreciation of property, plant and equipment, depreciation of right-of-use assets and capital expenditure amounting to HK$178,000, HK$3,749,000 and HK$636,000, respectively, were included under corporate and other unallocated expenses or assets, where appropriate.

* Capital expenditure consists of additions to property, plant and equipment, other assets and intangible assets acquired through the acquisitions of subsidiaries.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

During the year, approximately 71.0% (2017: 96.2%) of the Group's total revenue from external customers, based on the locations of the products shipped to/locations of customers, were attributed to the United States of America ("USA"). For the purpose of identifying the total revenue from external customers, revenue derived from the fair value change on financial assets at fair value through profit of loss is excluded.

An analysis of disaggregation of revenue from the sales of goods and provision of services based on the locations of the products shipped to is as follows:

	2018 **HK$'000**	2017 HK$'000
USA	**102,131**	252,489
Mainland China	**1,090**	2,536
Hong Kong	**–**	119
Others	**4,431**	2,322
	107,652	257,466

Revenue from the financial services segment amounting to HK$15,413,000 (2017: HK$2,516,000) and HK$272,000 (2017: HK$60,000), based on the locations of customers, was derived in Mainland China and Hong Kong, respectively. Revenue from the money lending segment, based on the location of the customers, was derived in Hong Kong.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(b) Non-current assets

	2018 **HK$'000**	2017 HK$'000
Hong Kong	**29,210**	35,132
Mainland China	**14,302**	10,289
Others	**457**	1,006
	43,969	46,427

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

Revenue from external customers each contributing 10% or more of the Group's total revenue for the year are set out below:

	Segment	**2018** **HK$'000**	2017 HK$'000
Customer A	Apparel trading and related services	**55,856**	67,230
Customer B	Apparel trading and related services	**36,048**	N/A*
Customer C	Apparel trading and related services	**14,533**	N/A*
Customer D	Money lending	**14,523**	–
Customer E	Apparel trading and related services	**N/A***	112,031
Customer F	Apparel trading and related services	**N/A***	31,112

* Less than 10% of revenue

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers		
Sales of goods	**107,019**	257,466
Service fee income	**633**	–
Advisory service income	**272**	60
Fund management fee income	**15,413**	2,516
Revenue from other sources		
Interest income from the money lending business	**20,423**	2,354
Fair value loss on financial assets at fair value through profit or loss	**(6,016)**	(3,290)
	137,744	259,106

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Apparel trading and related services** HK$'000	**Financial services** HK$'000	**Total** HK$'000
Type of goods or services			
Sales of goods	107,019	–	107,019
Service fee income	633	–	633
Advisory service income	–	272	272
Fund management fee income	–	15,413	15,413
	107,652	15,685	123,337
Geographical markets			
USA	102,131	–	102,131
Mainland China	1,090	15,413	16,503
Hong Kong	–	272	272
Others	4,431	–	4,431
	107,652	15,685	123,337
Timing of revenue recognition			
Goods or services transferred at a point in time	107,652	–	107,652
Services transferred over time	–	15,685	15,685
	107,652	15,685	123,337

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(i) *Disaggregated revenue information (continued)*

For the year ended 31 December 2017

Segments	Apparel trading and related services HK$'000	Financial services HK$'000	Total HK$'000
Type of goods or services			
Sales of goods	257,466	–	257,466
Advisory service income	–	60	60
Fund management fee income	–	2,516	2,516
	257,466	2,576	260,042
Geographical markets			
USA	252,489	–	252,489
Mainland China	2,536	2,516	5,052
Hong Kong	119	60	179
Others	2,322	–	2,322
	257,466	2,576	260,042
Timing of revenue recognition			
Goods transferred at a point in time	257,466	–	257,466
Services transferred over time	–	2,576	2,576
	257,466	2,576	260,042

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sales of garment

The Group recognises revenue from the sale of apparel products based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group satisfies a performance obligation when it transfers control of the apparel products to a customer, upon which the apparel products are delivered to the port of shipment. Revenue is recognised at the point in time.

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations (continued)

Service fees income

The Group recognises revenue for provision of supply chain management services based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group satisfies a performance obligation when the relevant services are completed. Revenue is recognised at the point in time.

Advisory service income and fund management fee income

The provision of advisory services and fund management service is a single performance obligation that the Group satisfies over time in accordance with the terms of the respective underlying agreements.

	2018 HK$'000	2017 HK$'000
Other income		
Bank interest income	**339**	184
Distribution income	**134**	–
Sale of scrap materials	**385**	131
Rework and compensation income	**966**	970
Imputed interest income on non-interest-bearing financial arrangement	**83**	78
Rental income	**504**	388
Sundry income	**113**	126
	2,524	1,877
Gains		
Gain on disposal of a property	**15,600**	–
Gain on foreign exchange differences, net	**773**	5
Gain on remeasurement of an available-for-sale investment	**–**	248
	16,373	253
	18,897	2,130

6. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on trade finance loans	**53**	173
Interest on bonds payable	**20,211**	1,054
Interest on other borrowings	**347**	97
Interest on a finance lease	**6**	10
Unwinding of finance costs on lease liability	**477**	483
	21,094	1,817

7. LOSS BEFORE TAX

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

	2018 HK$'000	2017 HK$'000
Auditor's remuneration	**2,080**	1,724
Cost of inventories sold	**103,445**	212,797
Depreciation of property, plant and equipment	**2,176**	1,648
Depreciation of right-of-use assets	**5,710**	5,912
Employee benefit expense (including directors' remuneration (note 8))		
– Wages and salaries, allowances, bonuses, commission and benefits in kind	**62,720**	48,266
– Provision for/(reversal of provision for) long service payments	**196**	(90)
– Termination payments	**6**	20
– Pension scheme contributions (defined contribution schemes)[#]	**4,699**	2,938
	67,621	51,134
Impairment/(reversal of impairment) of accounts receivable*	**517**	(63)
Impairment of loans receivable*	**188**	–
Impairment of other receivables*	**124**	–
Impairment of goodwill*	**1,210**	–
Reversal of provision for slow-moving inventories*	**(91)**	(104)
Minimum lease payments under operating leases	**2,549**	1,659

[#] At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

* The balances were included in "Other expenses, net" in the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018	2017
	HK$'000	HK$'000
Fees	**720**	720
Other emoluments:		
Salaries and allowances	**10,120**	9,001
Pension scheme contributions	**72**	67
	10,192	9,068
	10,912	9,788

(A) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018	2017
	HK$'000	HK$'000
Mr. Fok Ho Yin, Thomas	**240**	240
Mr. Chan Wai Cheung, Admiral	**240**	240
Mr. Lam Ho Pong	**240**	220
Mr. Hon Ming Sang	**–**	20
	720	720

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(B) Executive directors

	Fees	Salaries and allowances	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2018				
Mr. Jia Bowei	**–**	**3,900**	**18**	**3,918**
Mr. Lam Kwan Sing	**–**	**3,120**	**18**	**3,138**
Mr. Wong Nga Leung	**–**	**1,560**	**18**	**1,578**
Mr. Hon Ming Sang	**–**	**1,300**	**18**	**1,318**
Ms. Yi Sha	**–**	**120**	**–**	**120**
Mr. Liu Zhijun	**–**	**120**	**–**	**120**
	–	**10,120**	**72**	**10,192**
2017				
Mr. Jia Bowei	–	3,900	17	3,917
Mr. Lam Kwan Sing	–	2,220	18	2,238
Mr. Wong Nga Leung	–	1,560	18	1,578
Mr. Hon Ming Sang	–	1,191	14	1,205
Ms. Yi Sha	–	72	–	72
Mr. Liu Zhijun	–	58	–	58
	–	9,001	67	9,068

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

The above directors' remuneration only included remuneration during the tenure of each executive director of the Company.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2017: three), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**8,270**	2,400
Performance related bonuses	**300**	200
Pension scheme contributions	**54**	36
	8,624	2,636

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2018	2017
HK$5,000,001 to HK$5,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**–**	2

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The subsidiary of the Company established in Mainland China is subject to the PRC corporate income tax at a standard rate of 25% (2017: 25%) during the year.

No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations (2017: Nil).

10. INCOME TAX *(continued)*

No provision for Cambodian tax has been made on the Company's subsidiary as no assessable profit in Cambodia was generated during the current year. Cambodian tax on profit was provided at the rate of 1% of total revenues arising during the prior year.

No provision for Bangladesh income tax has been made on the liaison office of the Company's subsidiary as no assessment profit in Bangladesh was generated during the year (2017: Nil).

	2018 HK$'000	2017 HK$'000
Current – Hong Kong		
Charge for the year	**259**	46
Overprovision in prior years	**(471)**	(20)
Current – Elsewhere		
Charge for the year	**2,221**	710
Deferred (note 29)	**(111)**	70
Total tax charge for the year	**1,898**	806

A reconciliation of the tax expense applicable to loss before tax at the Hong Kong statutory rate to the tax charge at the effective tax rate is as follows:

2018

	Hong Kong HK$'000	**Mainland China and elsewhere HK$'000**	**Total HK$'000**
Loss before tax	**(54,967)**	**(42,132)**	**(97,099)**
Tax credit at the Hong Kong statutory tax rate	**(9,070)**	**(10,533)**	**(19,603)**
Different tax rates for specific provinces or enacted by local authorities	**–**	**6,155**	**6,155**
Effect of deemed profit tax	**–**	**547**	**547**
Adjustments in respect of current tax of previous periods	**(471)**	**–**	**(471)**
Income not subject to tax	**(2,504)**	**(31)**	**(2,535)**
Expenses not deductible for tax	**8,768**	**5,819**	**14,587**
Temporary difference not recognised	**43**	**–**	**43**
Tax losses not recognised	**2,938**	**277**	**3,215**
Others	**(27)**	**(13)**	**(40)**
Tax charge at the Group's effective tax rate	**(323)**	**2,221**	**1,898**

10. INCOME TAX *(continued)*

2017

	Hong Kong HK$'000	Mainland China and elsewhere HK$'000	Total HK$'000
Loss before tax	(42,279)	(913)	(43,192)
Tax credit at the Hong Kong statutory tax rate	(6,976)	(228)	(7,204)
Different tax rates for specific provinces or enacted by local authorities	–	115	115
Effect of deemed profit tax	–	600	600
Adjustments in respect of current tax of previous periods	(20)	–	(20)
Income not subject to tax	(30)	(71)	(101)
Expenses not deductible for tax	6,270	30	6,300
Temporary difference not recognised	37	65	102
Tax losses utilised from previous periods	–	(174)	(174)
Tax losses not recognised	815	343	1,158
Others	–	30	30
Tax charge at the Group's effective tax rate	96	710	806

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$101,279,000 (2017: HK$44,159,000), and the weighted average number of ordinary shares of 480,000,000 (2017: 480,000,000) in issue during the year.

Diluted loss per share equals to basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

12. DIVIDEND

The board of Directors does not recommend the payment of any dividend for the year ended 31 December 2018. (2017: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 December 2018								
At 31 December 2017 and 1 January 2018:								
Cost	3,291	3,011	100	834	1,806	2,871	3,422	15,335
Accumulated depreciation	(1,575)	(2,731)	(30)	(639)	(1,234)	(893)	(2,719)	(9,821)
Net carrying amount	1,716	280	70	195	572	1,978	703	5,514
At 1 January 2018, net of accumulated depreciation	1,716	280	70	195	572	1,978	703	5,514
Additions	–	944	12	273	139	61	125	1,554
Depreciation	(66)	(495)	(11)	(220)	(272)	(721)	(391)	(2,176)
Disposal	(1,650)	–	–	–	–	–	–	(1,650)
Exchange realignment	–	(17)	(3)	(6)	(15)	(35)	(1)	(77)
At 31 December 2018, net of accumulated depreciation	–	712	68	242	424	1,283	436	3,165
At 31 December 2018:								
Cost	–	3,928	106	1,089	1,904	2,879	3,537	13,443
Accumulated depreciation	–	(3,216)	(38)	(847)	(1,480)	(1,596)	(3,101)	(10,278)
Net carrying amount	–	712	68	242	424	1,283	436	3,165

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 December 2017								
At 1 January 2017:								
Cost	3,291	2,975	93	583	1,707	459	3,112	12,220
Accumulated depreciation	(1,510)	(2,222)	(18)	(437)	(943)	(261)	(2,408)	(7,799)
Net carrying amount	1,781	753	75	146	764	198	704	4,421
At 1 January 2017, net of accumulated depreciation	1,781	753	75	146	764	198	704	4,421
Additions	–	24	–	9	47	1,662	68	1,810
Acquisition of subsidiaries (note 33)	–	–	–	120	–	603	162	885
Depreciation	(65)	(501)	(10)	(85)	(267)	(489)	(231)	(1,648)
Exchange realignment	–	4	5	5	28	4	–	46
At 31 December 2017, net of accumulated depreciation	1,716	280	70	195	572	1,978	703	5,514
At 31 December 2017:								
Cost	3,291	3,011	100	834	1,806	2,871	3,422	15,335
Accumulated depreciation	(1,575)	(2,731)	(30)	(639)	(1,234)	(893)	(2,719)	(9,821)
Net carrying amount	1,716	280	70	195	572	1,978	703	5,514

The net carrying amount of the Group's property, plant and equipment held under a finance lease included in office equipment at 31 December 2018 was HK$74,000 (2017: HK$156,000).

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Right-of use assets

	2018 HK$'000	2017 HK$'000
At 1 January	**11,494**	–
Recognition upon initial application of HKFRS 16	**–**	16,555
Additions	**5,605**	851
Depreciation provided during the year	**(5,710)**	(5,912)
Remeasurement from early termination of a lease	**(444)**	–
Exchange realignment	**(121)**	–
At 31 December	**10,824**	11,494
At 31 December:		
Cost	**24,473**	26,235
Accumulated depreciation	**(13,649)**	(14,741)
Net carrying amount	**10,824**	11,494

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITY *(continued)*

Lease liability

	2018 HK$'000	2017 HK$'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	**5,994**	4,660
One to five years	**5,887**	7,990
Total undiscounted lease liability at 31 December	**11,881**	12,650
Lease liability included in other payables and accruals (note 25)		
– Current	**5,678**	4,332
– Non-current	**5,681**	7,687
	11,359	12,019

Amounts recognised in the consolidated statement of financial position

	2018 HK$'000	2017 HK$'000
At I January	**12,019**	–
Recognition upon initial application of HKFRS 16	**–**	16,994
Additions during the year	**5,605**	851
Interest charged to profit or loss	**477**	483
Remeasurement from early termination of a lease	**(444)**	–
Payment during the year	**(6,213)**	(6,309)
Exchange realignment	**(85)**	–
At 31 December	**11,359**	12,019

Amounts recognised in the consolidated statement of profit or loss

	2018 HK$'000	2017 HK$'000
Interest on lease liability	**477**	483
Expenses relating to short-term leases	**2,549**	1,659
	3,026	2,142
Amounts recognised in the consolidated statement of cash flows		
Total cash outflow for leases	**6,213**	6,309

15. GOODWILL

	HK$'000
At 1 January 2017	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 January 2017, net of accumulated impairment	–
Acquisition of subsidiaries (note 33)	12,320
31 December 2017	12,320
At 31 December 2017:	
Cost	12,320
Accumulated impairment	–
Net carrying amount	12,320
Cost at 1 January 2018, net of accumulated impairment	**12,320**
Impairment during the year	**(1,210)**
Cost and net carrying amount at 31 December 2018	**11,110**
At 31 December 2018:	
Cost	**12,320**
Accumulated impairment	**(1,210)**
Net carrying amount	**11,110**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGU") for impairment testing:

- Fund management services CGU;
- Securities dealing CGU; and
- Asset management CGU

15. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

The carrying amounts of goodwill are as follows:

	2018	2017
	HK$'000	HK$'000
Fund management services CGU	**8,436**	8,436
Securities dealing CGU	**1,733**	2,602
Asset management CGU	**941**	1,282
	11,110	12,320

Fund mangagement services CGU

The recoverable amount of the fund management CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is 13% (2017: 8%) and the cash flows beyond the five-year period are extrapolated using an average growth rate of 3% (2017: 3%).

Assumptions were used in the value in use calculation of the fund management services CGU on 31 December 2018 and 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the relevant unit.

Price inflation

The inflation rates used are with reference to current market conditions.

Securities dealing CGU and asset management CGU

The recoverable amounts of the securities dealing and asset management CGUs have been determined based on fair value less costs of disposal of the underlying assets and are classified under Level 3 in the fair value measurement hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3. In the opinion of the directors, the valuation of the fair value of goodwill was determined using a market approach with significant unobservable inputs, such as recent transaction price in the market. The recoverable amounts of the securities dealing CGU and asset management CGU at 31 December 2018 determined using the above basis, which mainly reflected the market value of the underlying assets, amounted to HK$22,582,000, which was lower than the carrying amount. Accordingly, an impairment loss of HK$1,210,000 was recognised in the consolidated statement of profit or loss for the year.

16. INTANGIBLE ASSETS

	2018 HK$'000	2017 HK$'000
Cost at 1 January	**17,100**	900
Acquisition of subsidiaries (note 33)	**–**	16,200
At 31 December	**17,100**	17,100
Cost and net carrying amount	**17,100**	17,100

The intangible assets represent direct costs incurred for the acquisition of a money lenders licence and licences for regulated activities issued by the SFC (collectively, "Licences"). The intangible assets are stated at cost less any impairment losses.

The Licences is considered by the directors of the Company as having indefinite useful lives because it is expected that the Licences can be renewed continuously at minimal cost and it will contribute net cash inflows for the Group in the foreseeable future. The Licences will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The Licences are allocated to the money lending CGU, securities dealing CGU and asset management CGU. The carrying amounts of intangible assets are as follows:

	2018 HK$'000	2017 HK$'000
Money lending CGU	**900**	900
Securities dealing CGU	**10,500**	10,500
Asset management CGU	**5,700**	5,700
	17,100	17,100

16. INTANGIBLE ASSETS *(continued)*

Money lending CGU

The recoverable amount of the money lending CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a one-year period.

The discount rate applied to the cash flow projections was 8% (2017: 8%) for the money lending CGU.

Assumptions were used in the value in use calculation of the money lending CGU on 31 December 2018 and 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the intangible asset:

Discount rates

The discount rates used are before tax and reflect specific risks relating to the relevant unit.

Price inflation

The inflation rates used are with reference to current market conditions.

Securities dealing CGU and asset management CGU

The recoverable amounts of the securities dealing and asset management CGUs have been determined based on fair value less costs of disposal of the underlying assets. The fair value of the intangible assets is classified under Level 3 in the fair value measurement hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3. In the opinion of the directors, the valuation of the fair value of intangible assets was determined using a market approach with significant unobservable inputs, such as recent transaction price in the market.

17. INVESTMENT IN AN ASSOCIATE

	2018 HK$'000	2017 HK$'000
Share of net liabilities	(491)	–
Goodwill on acquisition	2,261	–
	1,770	–

Particulars of the associate is as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
湖南國開鐵路建設私募基金管理有限公司 (Hunan Guokai Railway Development Private Equity Fund Management Company Limited ("Hunan Guokai"))	Registered capital	PRC/Mainland China	49%	Provision of fund management service

The following table illustrates the summarised financial information in respect of the Group's associate reconciled to the carrying amount in the consolidated financial statements:

	2018 HK$'000	2017 HK$'000
Current assets	1,208	–
Current liabilities	(2,210)	–
Net liabilities	(1,002)	–
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	–
Goodwill on acquisition	2,261	–
Group's share of net liabilities of associate, excluding goodwill	(491)	–
Carrying amount of the investments	1,770	–
Post acquisition results:		
Revenue	432	–
Profit and total comprehensive income	256	–

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000	2017 HK$'000
Financial assets at fair value through profit or loss		
Listed equity investment	**1,222**	7,238
Unlisted equity investments	**2,287**	–
	3,509	7,238
Available-for-sale investments		
Unlisted equity investments	**–**	2,713
	–	2,713

As at 31 December 2017, the available-for-sale investments represented the Group's investments in various unlisted equity investments in the PRC. The unlisted equity investments with an aggregate carrying amount of HK$2,713,000 were stated at cost less impairment. Upon adoption of HKFRS 9, in the opinion of directors, it is appropriate to reclassify the unlisted equity investments to financial assets at fair value through profit or loss to align with the Group's business model for managing these investments and their contractual cash flows.

19. INVENTORIES

	2018 HK$'000	2017 HK$'000
Finished goods	**50**	20

20. ACCOUNTS RECEIVABLE

	2018 HK$'000	2017 HK$'000
Trade receivables	**22,019**	42,742
Bills receivable	**–**	686
Fund management fee receivables	**20,967**	7,991
	42,986	51,419
Impairment	**(847)**	(242)
	42,139	51,177

Trade and bills receivables

Trade and bills receivables relate to the Group's apparel trading and related services business. The Group's trading terms with its customers in the apparel trading and related services business are mainly on credit. The credit periods generally range from 30 to 90 days (2017: 40 to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	**9,874**	25,260
1 to 2 months	**9,281**	8,333
2 to 3 months	**753**	8,080
Over 3 months	**1,393**	1,513
	21,301	43,186

20. ACCOUNTS RECEIVABLE *(continued)*

Trade and bills receivables *(continued)*

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of year	242	305
Effect of adoption of HKFRS 9	41	–
At beginning of year (restated)	283	305
Impairment loss recognised/(reversed)	435	(63)
At end of year	718	242

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects, the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	1.4%	1.6%	1.9%	61.9%	
Gross carrying amount (HK$'000)	19,122	1,690	525	682	22,019
Expected credit losses (HK$'000)	259	27	10	422	718

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade and bills receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017, was a provision for individually impaired trade and bills receivables of HK$242,000 with a carrying amount before provision of HK$242,000.

The individually impaired trade and bills receivables as at 31 December 2017 related to a customer that was in financial difficulties.

20. ACCOUNTS RECEIVABLE *(continued)*

Trade and bills receivables *(continued)*

Impairment under HKAS 39 for the year ended 31 December 2017 (continued)

The ageing analysis of the trade and bills receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 HK$'000
Neither past due nor impaired	33,082
Less than 1 month past due	7,354
1 to 3 months past due	2,750
	43,186

Receivables that were neither past due nor impaired related to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Fund management fees receivables

Fund management fees receivables relate to the Group's fund management business and are due from investment funds in which the Group acts as the fund manager. Pursuant to the respective fund management agreements, the fund management fees shall be paid in advance at the beginning of each year.

20. ACCOUNTS RECEIVABLE *(continued)*

Fund management fees receivables *(continued)*

An ageing analysis of fund management fees receivables as at the end of the reporting period, based on the period in which services were rendered, is as follows:

	2018 **HK$'000**	2017 HK$'000
Not yet due	**721**	820
Less than 1 year past due	**13,363**	7,171
More than 1 year past due	**6,754**	–
	20,838	7,991

The movements in provision for impairment of fund management fees receivables is as follows:

	2018 **HK$'000**	2017 HK$'000
At beginning of year	**–**	–
Effect of adoption of HKFRS 9	**47**	–
At beginning of year (restated)	**47**	–
Impairment loss recognised	**82**	–
At end of year	**129**	–

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date by considering the probability of default of counterparty. As at 31 December 2018, the probability of default applied ranged from 0.2% to 13% and the loss given default was estimated to be 100%. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 was 0.6%.

20. ACCOUNTS RECEIVABLE *(continued)*

Fund management fees receivables *(continued)*

Impairment under HKFRS 9 for the year ended 31 December 2018 (continued)

An analysis of the gross carrying amount and the corresponding ECL allowance is as follows:

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Gross carrying amount as at 1 January 2018	820	–	7,171	7,991
New accounts receivable	15,413	–	–	15,413
Transfer	(13,449)	–	13,449	–
Repaid during the year	(2,053)	–	–	(2,053)
Exchange realignment	(10)	–	(374)	(384)
	721	–	20,246	20,967
ECL allowance as at 1 January 2018	–	–	(47)	(47)
Provided during the year	–	–	(82)	(82)
	–	–	(129)	(129)

21. LOANS RECEIVABLE

	2018	2017
	HK$'000	HK$'000
Loans receivable	**131,465**	16,275
Impairment	**(209)**	–
	131,256	16,275

Loans receivable arising from the money lending business of the Group bear interest at a rate of 8% to 13% (2017: 13%) per annum. As at 31 December 2018, certain loans receivable with an aggregate carrying amount of HK$119,889,000 (2017: Nil) were secured by the pledge of assets.

21. LOANS RECEIVABLE *(continued)*

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date by considering the probability of default of counterparty. As at 31 December 2018, the probability of default applied ranged from 0.6% to 100% and the loss given default was estimated to be in the range of 0% to 100%. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 was in the range of 0.1% to 27.5%.

Analysis of the gross carrying amount and the corresponding ECL allowance is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Gross carrying amount as at 1 January 2018	16,275	–	–	16,275
New loans drawndown	220,200	–	–	220,200
Transfer	(40,200)	–	40,200	–
Repaid during the year	(105,010)	–	–	(105,010)
	91,265	–	40,200	131,465
ECL allowance as at 1 January 2018	(21)	–	–	(21)
Provided during the year	(115)	–	(73)	(188)
	(136)	–	(73)	(209)

Collateral held against loan classified in stage 3 is principally represented by share charges of subsidiaries of borrowers with underlying assets, comprising properties and land with a market value of HK$50,500,000.

Impairment under HKAS 39 for the year ended 31 December 2017

The loan receivable as at 31 December 2017, based on the payment due date, was neither past due nor impaired and relates to an independent borrower for whom there was no recent history of default.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments	**1,481**	1,895
Deferred expenses	**–**	307
Deposits	**2,393**	3,087
Loan to a third-party manufacturer	**6,093**	6,014
Receivables from third-party manufacturers	**3,484**	12,075
Other assets	**205**	205
Other receivables	**36,235**	1,401
	49,891	24,984
Less: impairment	**(195)**	–
	49,696	24,984
Analysed into:		
Non-current portion	**6,298**	6,219
Current portion	**43,398**	18,765
	49,696	24,984

Other assets represented statutory deposits in respect of the securities dealing business.

Receivables from third-party manufacturers arise when the Group purchases raw materials on behalf of the third-party manufacturers relating to the Group's apparel trading and related services business, and are unsecured, interest-free and repayable within one year. The settlement of which is usually by the relevant subcontracting fees payable by the Group to the third-party manufacturers.

Loan to a third-party manufacturer was provided for the enhancement of its production facilities. As at 31 December 2018 and 2017, the loan was secured by a property situated in Cambodia owned by the third-party manufacturer, subject to a guarantee given by an independent party to the Group, interest-free and repayable on 30 April 2020.

During the year ended 31 December 2018, a substantial shareholder of the Company ("Substantial Shareholder"), through a 51% owned subsidiary of the Group, advanced an amount of HK$32,366,000 ("Advance") to an independent third party (the "Borrower") for the purpose of capital contribution to two investment funds managed by the Group (the "Pass-through Arrangement"). The Advance is unsecured, bears interest at 1.5% per month with maturity on 21 August 2018. Under this Pass-through Arrangement, the Group should bear no responsibilities as to the repayment of the Advance by the Borrower and other liabilities as well as the interest associated with the Advance. As at 31 December 2018, the amount of proceeds received from the Substantial Shareholder and the Advance to the Borrower amounting to HK$32,366,000 were presented on a gross basis and included in "other payables and accruals" and "prepayments, deposits and other receivables", respectively, on the consolidated statement of financial position as the associated document/agreement in connection with the Pass-through Arrangement did not establish the Group's right of off-set.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

An impairment analysis is performed at each reporting date by considering the probability of default of counterparty. As at 31 December 2018, the probability of default applied ranged from 0.63% and the loss given default was estimated to be in the range of 0% to 100%. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 was 5.36%.

The gross receivables and expected credit loss from third-party manufacturers and a loan to a third-party manufacturer are classified as stage 1 as at 31 December 2018.

The movement in the loss allowance for impairment is as follows:

	2018 **HK$'000**
At beginning of year	**–**
Effect of adoption of HKFRS 9	**71**
At beginning of year (restated)	**71**
Impairment	**124**
At 31 December	**195**

23. CASH AND CASH EQUIVALENTS

	2018 **HK$'000**	2017 HK$'000
Cash and bank balances	**40,159**	77,919
Time deposits	**–**	21,922
Cash and cash equivalents	**40,159**	99,841

As at 31 December 2018, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$22,854,000 (2017: HK$31,464,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and ninety-three days depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	**7,337**	12,304

The trade payables are non-interest-bearing and are normally settled on an average term of 30 days.

25. OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Lease liability (note 14)	**11,359**	12,019
Other payables	**4,941**	6,451
Accruals	**10,392**	9,877
Payable to Substantial Shareholder (note 22)	**32,366**	–
	59,058	28,347
Analysed into:		
Non-current portion	**6,528**	8,100
Current portion	**52,530**	20,247
	59,058	28,347

Other payables are non-interest-bearing and are normally settled within one year.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payable (note 27)	5.00	2019	82	5.00	2018	82
Other loan – unsecured	6.00	2019	7,734	5.00	2018	3,000
Loan from a shareholder – unsecured	–	–	–	5.00	2018	2,500
Trade finance loans – secured	–	–	–	3.64	2018	2,102
			7,816			7,684
Non-current						
Finance lease payable (note 27)	–	–	–	5.00	2019	86
			–			86
			7,816			7,770

Notes:

(a) As at 31 December 2018, certain of the Group's bank and other borrowings were secured by:

(i) certain security deposits placed to banks by a former director of a subsidiary of the Group;

(ii) personal guarantees given by a former director of a subsidiary of the Group.

As at 31 December 2017, certain of the Group's bank and other borrowings were secured by:

(i) certain security deposits placed to banks by a former director of a subsidiary of the Group;

(ii) personal guarantees given by a former director of a subsidiary of the Group;

(iii) corporate guarantees given by certain subsidiaries of the Group;

(iv) a promissory note executed by a subsidiary of the Group and a former director of a subsidiary of the Group of HK$75,000,000; and

(v) certain properties pledged by a former director of a subsidiary of the Group.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(b) As at 31 December 2018, other loans of HK$7,734,000 and finance lease payable of HK$82,000 are denominated in United States dollars (US$) and RMB, respectively.

(c) As at 31 December 2017, except for trade finance loans of HK$2,102,000 and finance lease payable of HK$168,000 which are denominated in US$ and RMB, respectively, all other loans are denominated in HK$.

27. FINANCE LEASE PAYABLE

The Group leases certain of its office equipment. This lease is classified as a finance lease and has a remaining lease term of one year (2017: two years).

As at 31 December 2018, the total future minimum lease payments under a finance lease and its present value was as follows:

	Minimum lease payments 2018 HK$'000	Minimum lease payments 2017 HK$'000	**Present value of minimum lease payments 2018 HK$'000**	Present value of minimum lease payments 2017 HK$'000
Amounts payable:				
Within one year	**84**	88	**82**	82
In the second year	**–**	88	**–**	86
Total minimum finance lease payments	**84**	176	**82**	168
Future finance charges	**(2)**	(8)		
Total net finance lease payables	**82**	168		
Portion classified as current liabilities (note 26)	**(82)**	(82)		
Non-current portion (note 26)	**–**	86		

28. BONDS PAYABLE

	2018	2017
	HK$'000	HK$'000
Unlisted bonds repayable within five years	**218,093**	80,000
Analysed into:		
Non-current portion	**138,131**	80,000
Current portion	**79,962**	–
	218,093	80,000

At the end of the reporting period, particulars of the straight bond issued by the Company are as follows:

Issue date	**Maturity from issue date**	**Coupon rate**	**Effective interest rate**	**Principal outstanding**	
				2018	2017
				HK$'000	HK$'000
30 October 2017	23 months	8%	7.93%	**80,000***	80,000*
24 January 2018	720 Days	7.5%	8.21%	**95,000**	–
14 February 2018	720 Days	7.5%	7.92%	**40,000**	–

The bond is unsecured and contains no conversion features.

* The straight bond was issued by the Company to Kapok Spirit Investment Limited ("Kapok Spirit"), an entity indirectly wholly owned by a substantial shareholder of the Company. Subsequent to the end of the reporting period, Kapok Spirit issued a letter of intent to extend the bond maturity date beyond two years upon maturity on 30 September 2019.

29. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from acquisition of subsidiaries	Intangible asset	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	56	–	149	205
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10)	70	–	–	70
Acquisitions of subsidiaries (note 33)	29	2,674	–	2,703
At 31 December 2017 and 1 January 2018	155	2,674	149	2,978
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10)	(111)	–	–	(111)
At 31 December 2018	44	2,674	149	2,867

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$5,053,000 (2017: HK$439,000) at 31 December 2018.

29. DEFERRED TAX LIABILITIES *(continued)*

As at 31 December 2018, the Group had tax losses arising in Hong Kong of HK$30,765,000 (2017: HK$12,954,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2018, the Group also has tax losses arising in the PRC and Cambodia of Nil (2017: HK$18,000) and HK$8,070,000 (2017: HK$6,574,000), respectively, subject to the agreement by relevant tax authorities, that are available for offsetting against future taxable profits of the respective subsidiaries in which the losses arose for a maximum of five years.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. SHARE CAPITAL

Shares

	2018 **HK$'000**	2017 HK$'000
Authorised:		
1,000,000,000 (2017: 1,000,000,000) shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
480,000,000 (2017: 480,000,000) shares of HK$0.01 each	**4,800**	4,800

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 83 of the consolidated financial statements.

(a) Capital reserve

The capital reserve represents (i) capital contribution of HK$9,000,000 from shareholders pursuant to a deed of undertaking dated 26 March 2014; and (ii) capital contribution of HK$1,071,000 from shareholders to a subsidiary.

(b) Legal reserve

The legal reserve represents the transfer of the profit generated from a subsidiary incorporated in Macao from retained profits to the legal reserve in accordance with article 377 of the Macao Commercial Code until the legal reserve balance reaches half of the capital of the relevant subsidiary. This legal reserve is not distributable.

(c) Merger reserve

The merger reserve represents the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to a reorganisation in connection with the listing of the Company's shares in the prior years.

32. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's non-wholly owned subsidiary, Hunan Huiyin Tianxing, that has material non-controlling interests for the year are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests	**49%**	49%

	2018 **HK$'000**	2017 HK$'000
Profit for the year allocated to non-controlling interests	**2,282**	161
Accumulated balances of non-controlling interests at the reporting date	**21,896**	20,816

The following table illustrates the summarised financial information of Hunan Huiyin Tianxing. The post-acquisition amounts disclosed are before any inter-company eliminations:

	2018 **HK$'000**	2017 HK$'000
Revenue and other income	**15,791**	2,553
Total expenses	**(11,134)**	(2,224)
Profit for the year	**4,657**	329
Other comprehensive income for the year	**(2,406)**	457
Total comprehensive income for the year	**2,251**	786
Net cash flows used in operating activities	**(10,379)**	(2,454)
Net cash flows used in investing activities	**(888)**	(71)
Net cash flows from/(used in) financing activities	**(1)**	29,395
Net increase/(decrease) in cash and cash equivalents	**(11,268)**	26,870
Current assets	**74,012**	42,942
Non-current assets	**4,529**	3,425
Current liabilities	**(33,855)**	(3,887)

33. BUSINESS COMBINATIONS

As part of the Group's strategy to diversify its operations into the financial services sector which includes but not limited to the provision of financing, brokerage, asset management, investment management services and securities investments, the Group completed the following acquisitions during the year. In the opinion of the Directors, the goodwill arising from the following acquisitions represents the expected synergy for building an all-rounded financial services platform.

(a) Acquisition of Nan Guo International Securities Limited

In 2016, the Group acquired a 9.5% equity interest in Nan Guo, a company incorporated in Hong Kong and licensed with Type 1 (Dealing in Securities) licence by the SFC for a consideration of HK$926,000. The Group's investment therein was accounted for as an available-for-sale investment.

On 20 January 2017, the Group signed a sale and purchase agreement ("Nan Guo SP Agreement") with an independent third party to purchase the remaining 90.5% equity interest in Nan Guo at an aggregate consideration of HK$8.8 million which is subject to adjustments pursuant to the terms and conditions of the Nan Guo SP Agreement, including among others, adjusted net assets of Nan Guo. The transaction was completed on 31 October 2017 and the final cash consideration for the 90.5% equity interest in Nan Guo was HK$14,687,000. Nan Guo is primarily engaged in the provision of securities brokerage services.

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

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	134
Intangible asset	10,500
Prepayments, deposits and other receivables	306
Cash and cash equivalents	4,190
Trade payables	(6)
Other payables and accruals	(8)
Deferred tax liabilities	(1,762)
	13,354
Goodwill on acquisition	2,602
	15,956
Satisfied by:	
Cash	14,687
Fair value of 9.5% equity interest previously held*	1,269
	15,956

* The Group remeasured the fair value of its 9.5% equity interest previously held at the completion date on 31 October 2017 and recognised the resulting gain of HK$248,000 on the remeasurement of the Group's pre-existing interest in Nan Guo to acquisition date fair value.

33. BUSINESS COMBINATIONS *(continued)*

(a) Acquisition of Nan Guo International Securities Limited *(continued)*

The Group incurred transaction costs of approximately HK$280,000 for the acquisition of Nan Guo. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Nan Guo is as follows:

	HK$'000
Cash consideration	(14,687)
Cash and cash equivalents acquired	4,190
Net outflow of cash and cash equivalents included in cash flows from investing activities	(10,497)

Since acquisition, Nan Guo did not generate any revenue and contributed loss of approximately HK$507,000 to the consolidated loss for the year ended 31 December 2017.

Had the combination taken place at the beginning of 2017, the revenue of the Group and the loss of the Group for the year ended 31 December 2017 would have been approximately HK$259,111,000 and HK$45,055,000, respectively.

(b) Acquisition of Benington Capital Limited

On 15 February 2017, the Group entered into a sale and purchase agreement ("Benington SP Agreement") with an independent third party, to acquire a 100% equity interest in Benington for an aggregate consideration of HK$6.0 million which is subject to adjustments pursuant to the terms and conditions of the Benington SP Agreement, including among others, adjusted net assets of Benington. The transaction was completed on 31 October 2017 and the final consideration was HK$6.7 million. Benington is a company incorporated in Hong Kong and licensed with Type 4 (Advising on Securities) licence and Type 9 (Asset Management) licence by the SFC. It is principally engaged in the provision of asset management and advisory services.

33. BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of Benington Capital Limited *(continued)*

The fair values of the identifiable assets and liabilities of Benington acquired at the acquisition date are as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	6
Intangible asset	5,700
Prepayments and deposits	60
Cash and cash equivalents	599
Other payables and accruals	(1)
Deferred tax liabilities	(941)
	5,423
Goodwill on acquisition	1,282
Satisfied by cash	6,705

The Group incurred transaction costs of approximately HK$280,000 for the acquisition of Benington. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Benington is as follows:

	HK$'000
Cash consideration	(6,705)
Decrease in deposits and other receivables for consideration paid in prior year	1,200
Cash and cash equivalents acquired	599
Net outflow of cash and cash equivalents included in cash flows from investing activities	(4,906)

Since the acquisition, Benington contributed HK$60,000 to the Group's revenue and loss of HK$317,000 to the consolidated loss for the year ended 31 December 2017.

Had the combination taken place at the beginning of 2017, the revenue of the Group and the loss of the Group for the year ended 31 December 2017 would have been approximately HK$259,570,000 and HK$43,939,000.

33. BUSINESS COMBINATIONS *(continued)*

(c) Acquisition of Hunan Huiyin Tianxing Private Equity Investment Fund Management Co. Ltd.

On 27 April 2017, the Group entered into a capital contribution agreement with the existing shareholders of Hunan Huiyin Tianxing whereby the Group agreed to inject RMB25 million (equivalent to approximately HK$29.7 million) into Hunan Huiyin Tianxing in exchange for a 51% equity interest of the enlarged capital therein. One of the existing shareholders is an indirectly wholly-owned subsidiary of a substantial shareholder of the Company. The transaction was completed on 10 November 2017. Hunan Huiyin Tianxing is principally engaged in investment management services.

The fair values of the identifiable assets and liabilities of Hunan Huiyin Tianxing as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	745
Available-for-sale investments	2,685
Accounts receivable	5,409
Prepayments and deposits	130
Cash and cash equivalents	36,377
Other payables and accruals	(2,939)
Tax payables	(712)
Non-controlling interests	(20,431)
	21,264
Goodwill on acquisition	8,436
Satisfied by cash	29,700

The fair value of the accounts receivable as at the date of acquisition amounted to approximately HK$5,409,000. The gross contractual amount of accounts receivable was approximately HK$5,409,000, which are expected to be collectible.

The Group incurred transaction costs of approximately HK$352,000 for the acquisition of Hunan Huiyin Tianxing. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

33. BUSINESS COMBINATIONS *(continued)*

(c) Acquisition of Hunan Huiyin Tianxing Private Equity Investment Fund Management Co. Ltd. *(continued)*

An analysis of the cash flows in respect of the acquisition of Hunan Huiyin Tianxing is as follows:

	HK$'000
Cash consideration	(29,700)
Cash and cash equivalents acquired	36,377
Net inflow of cash and cash equivalents included in cash flows from investing activities	6,677

Since the acquisition, Hunan Huiyin Tianxing contributed approximately HK$2,516,000 to the Group's revenue and profit of approximately HK$329,000 to the consolidated loss for the year ended 31 December 2017.

Had the combination taken place at the beginning of 2017, the revenue and the consolidated loss of the Group for the year ended 31 December 2017 would have been approximately HK$276,437,000 and approximately HK$35,767,000, respectively.

34. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in 26 to the consolidated financial statements.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, the Group recognised the right-of-use assets and the corresponding lease liability in respect of the rights and obligations for using the leased premises, with aggregate amounts of HK$5,605,000 (2017: HK$851,000) and HK$5,605,000 (2017: HK$851,000), respectively.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financing activities

	Trade finance loans HK$'000	Finance lease payable HK$'000	Loans from a third party/ shareholder HK$'000	Unlisted bonds HK$'000	Lease liability HK$'000
At 1 January 2017	12,088	228	–	–	–
Changes from financing cash flows	(9,986)	(75)	5,500	80,000	(6,309)
Effect of adoption of HKFRS 16	–	–	–	–	16,994
New leases entered during the year	–	–	–	–	851
Unwinding of finance costs on lease liability	–	–	–	–	483
Foreign exchange movement	–	15	–	–	–
At 31 December 2017 and 1 January 2018	2,102	168	5,500	80,000	12,019
Changes from financing cash flows	(2,102)	(81)	2,157	138,093	(6,213)
Accrued interest	–	–	77	–	477
New leases entered during the year	–	–	–	–	5,605
Remeasurement upon early termination of a lease	–	–	–	–	(444)
Foreign exchange movement	–	(5)	–	–	(85)
As 31 December 2018	–	82	7,734	218,093	11,359

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group sub-leased a property under an operating lease arrangement, with a lease negotiated for a term of two years (2017: two years).

As at the end of the reporting period, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**126**	504
In the second to fifth years, inclusive	**–**	126
	126	630

36. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office premises and staff quarters under operating lease arrangements. The leases are negotiated for terms ranging from six months to three years (2017: six months to three years). Certain leases are cancellable with notice periods ranging from one to three months.

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

	2018 **HK$'000**	2017 HK$'000
Within one year	**126**	200

Following the Company's election to early adopt HKFRS 16 during the year ended 31 December 2017, the Company recognised a lease liability for all leases with a term of more than twelve months. The resulting impact on the consolidated statement of profit or loss and the consolidated statement of cash flows are disclosed in note 14 to the consolidated financial statements.

37. COMMITMENT

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitment in relation to capital injection of Hunan Guokai at the end of the reporting period:

	2018 **HK$'000**	2017 HK$'000
Contracted, but not provided for:	**4,461**	–

38. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	Notes	**2018** **HK$'000**	2017 HK$'000
Interest expense payable to Kapok Spirit	(i)	**6,388**	1,054
Interest expense payable to Mr. Lai Leong	(ii)	**124**	23
Referral fee to SFund International Investments Fund Management Limited ("SFund Investments Fund")	(iii)	**2,900**	–

38. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(Continued)*

Notes:

(i) The interest expense on the bond payable was paid to Kapok Spirit, a company indirectly wholly owned by a substantial shareholder of the Company. Details of which are included in note 28 to the consolidated financial statements.

(ii) The interest expense on a shareholder's loan was paid to Mr. Lai Leong. Details of the shareholder's loan are included in note 26 to the consolidated financial statements.

(iii) The referral fee was paid to SFund Investments Fund, a substantial shareholder of the Company, for referral services rendered during the year. The referral fee was charged based on mutually agreed terms.

The related party transactions in respect of items (i) and (ii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules for the year ended 31 December 2018.

(b) Compensation of key management personnel of the Group

	2018 **HK$'000**	2017 HK$'000
Short term employee benefits	**10,120**	9,001
Post-employment benefits	**72**	67
Total compensation paid to key management personnel	**10,192**	9,068

Further details of directors' emoluments are included in note 8 to these consolidated financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

31 December 2018

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	HK$'000	HK$'000	HK$'000
Accounts receivable	–	42,139	42,139
Loans receivable	–	131,256	131,256
Financial assets included in prepayments, deposits and other receivables	–	48,216	48,216
Financial assets at fair value through profit or loss	3,509	–	3,509
Cash and cash equivalents	–	40,159	40,159
	3,509	261,770	265,279

31 December 2017

	Financial assets at fair value through profit or loss – designated as such upon initial recognition	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments	–	–	2,713	2,713
Accounts receivable	–	51,177	–	51,177
Loans receivable	–	16,275	–	16,275
Financial assets included in prepayments, deposits and other receivables	–	22,782	–	22,782
Financial assets at fair value through profit or loss	7,238	–	–	7,238
Cash and cash equivalents	–	99,841	–	99,841
	7,238	190,075	2,713	200,026

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	2018	2017
	HK$'000	HK$'000
Trade payables	**7,337**	12,304
Financial liabilities included in other payables and accruals	**52,304**	20,897
Interest-bearing bank and other borrowings	**7,816**	7,770
Bonds payable	**218,093**	80,000
	285,550	120,971

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of the Group's financial instrument, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at fair value through profit or loss	**3,509**	7,238	**3,509**	7,238

Management has assessed that the fair values of accounts receivable, loans receivable, the current portion of financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade payables, the current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing other borrowing and bonds payable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing other borrowing and bonds payable as at 31 December 2018 was assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair value of a listed equity investment is based on quoted market price.

The fair value of unlisted equity investments at fair value through profit or loss, which were previously classified as available-for-sale equity investments, have been estimated using a discounted cash flow valuation model. The valuation requires the directors to make estimates about the expected future cash flows including expected future distributions and proceeds on subsequent disposal of units. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, are reasonable, and they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018:

	Valuation technique	**Significant unobservable input**	**Rate**	**Sensitivity of fair value to the input**
Unlisted equity investments (2017: Unlisted available-for-sale equity investments)	Discounted cash flow method	Discount rate	4.9%	10% increase in discount rate would result in decrease in fair value by HK$34,000. 10% decrease in discount rate would result in increase in fair value by HK$35,000.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instrument:

Asset measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	**Significant observable inputs (level 2) HK$'000**	**Significant unobservable inputs (level 3) HK$'000**	**Total HK$'000**
At 31 December 2018				
Financial assets at fair value through profit or loss	**1,222**	**–**	**2,287**	**3,509**
At 31 December 2017				
Financial assets at fair value through profit or loss	7,238	–	–	7,238

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Asset measured at fair value: *(continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2018 HK$'000	2017 HK$'000
Equity investments at fair value through profit or loss:		
At 1 January	–	–
Effect of adoption of HKFRS 9	2,713	–
At 1 January (restated)	2,713	–
Redeemed during the year	(297)	–
Exchange realignment	(129)	–
At 31 December	2,287	–

The Group did not have any financial liabilities measured at fair values as at the end of the reporting period.

During the year, 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 (2017: Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank and other borrowings and bonds payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as financial assets at fair value through profit or loss, accounts receivable, loans receivable, financial assets included in prepayments, deposits and other receivables, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and equity price risk. The directors review and agree policies for managing each of these risks and they are summarised below:

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as certain income earned and expenses incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. Management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Credit risk

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Trade receivables*	–	–	–	22,019	22,019
Fund management fees receivables	721	–	20,246	–	20,967
Loans receivable	91,265	–	40,200	–	131,465
Financial assets included in prepayments, deposits and other receivables	48,216	–	–	–	48,216
	140,202	–	60,446	22,019	222,667

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure as at 31 December 2017

The accounts receivable and loans receivable balances included in the consolidated statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's accounts receivable and loans receivable.

The Group has certain concentration of credit risk in relation to accounts receivable arising from the apparel trading and related services business and fund management services as the accounts receivable due from the Group's largest debtor and the five largest debtors accounted for a material proportion of the Group's accounts receivable as at 31 December 2017 which is set out as follows:

	2017
	%
Largest customers	30.7
Five largest customers	92.9

As at 31 December 2017, the Group also had concentration of credit risk of a loan receivable as 100% of the Group's loan receivable was due from one borrower.

The Group performed ongoing credit evaluations of its debtors' financial conditions. The allowance for doubtful debts was based on a review of the expected collectability of all accounts receivable and loan receivable.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, equity investment at fair value through profit or loss and available-for-sale investments arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these financial assets in the consolidated statement of financial position. The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. Accordingly, the Group's exposure to bad debts was not significant.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

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

	2018			
	On demand HK$'000	**Within 1 year HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**–**	**7,337**	**–**	**7,337**
Financial liabilities included in other payables and accruals	**–**	**46,939**	**5,887**	**52,826**
Interest-bearing bank and other borrowings	**–**	**8,049**	**–**	**8,049**
Bonds payable	**–**	**84,752**	**150,188**	**234,940**
	–	**147,077**	**156,075**	**303,152**

	2017			
	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	12,304	–	12,304
Financial liabilities included in other payables and accruals	–	13,538	7,990	21,528
Interest-bearing bank and other borrowings (note)	2,102	5,725	88	7,915
Bond payable	–	–	92,267	92,267
	2,102	31,567	100,345	134,014

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Note:

As at 31 December 2017, included in the above interest-bearing bank and other borrowings are trade finance loans with an aggregate carrying amount of HK$2,102,000. The loan agreements contain a repayment on demand clause giving to the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "repayment on demand".

In accordance with the terms of the loans which contain a repayment on demand clause, the maturity profile of those loans as at the end of the reporting period, based on contractual undiscounted payment and ignoring the effect of any repayment on demand clause, is as follows:

	2017 HK$'000
Within one year	2,115

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investment and unlisted investments classified as financial assets at fair value through profit or loss (note 18) as at 31 December 2018. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2018	**High/low 2018**	31 December 2017	High/low 2017
Hong Kong – Hang Seng Index	**25,846**	**33,484/24,541**	29,919	30,003/22,134

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk *(continued)*

The following table demonstrates the sensitivity to every 20% change in fair value of investment securities, with all other variables held constant and before any impact on tax, based on their carrying amount at the end of the reporting period.

	Carrying amount of equity investment	**Changes in loss before tax**
	HK$'000	HK$'000
31 December 2018		
Investment listed in Hong Kong	1,222	244
Unlisted investment	2,287	457
31 December 2017		
Investment listed in Hong Kong	7,238	1,448

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or bond. The Group is required to comply with certain externally imposed capital requirements set out in certain of its banking facility agreements. Additionally, certain subsidiaries engaged in securities dealing and asset management, which are regulated entities under the SFC are required to comply with the respective minimum capital requirements imposed by the SFC. During the year, these subsidiaries complied with the respective minimum capital requirements imposed by the SFC. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Group monitors capital on the basis of a gearing ratio. The ratio is calculated by dividing the total debts by total equity attributable to owners of the parent. Total debts are defined to include all borrowings and payables incurred not in the ordinary course of business. Accordingly, the gearing ratio (being the sum of bonds payable, finance lease payable, bank and other borrowings divided by total equity) was 4,108.9% (2017: 81.73%) at the end of the reporting period.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**4**	4
CURRENT ASSETS		
Prepayments and other receivables	**332**	387
Due from subsidiaries	**235,814**	114,757
Cash and cash equivalents	**4,193**	138
Total current assets	**240,339**	115,282
CURRENT LIABILITIES		
Other payables and accruals	**3,150**	3,096
Due to a subsidiary	**13,694**	5
Bonds payable	**79,962**	–
Total current liabilities	**96,806**	3,101
Net current assets	**143,533**	112,181
TOTAL ASSETS LESS CURRENT LIABILITIES	**143,537**	112,185
NON-CURRENT LIABILITY		
Bonds payable	**138,131**	80,000
Net assets	**5,406**	32,185
EQUITY		
Issued capital	**4,800**	4,800
Reserves (note)	**606**	27,385
Total equity	**5,406**	32,185

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	48,873	1,488	(6,870)	43,491
Loss and total comprehensive loss for the year	–	–	(16,106)	(16,106)
At 31 December 2017 and 1 January 2018	**48,873**	**1,488**	**(22,976)**	**27,385**
Loss and total comprehensive loss for the year	**–**	**–**	**(26,779)**	**(26,779)**
At 31 December 2018	**48,873**	**1,488**	**(49,755)**	**606**

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2019.