Power Financial Group Limited
權威金融集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock code: 397)

2018
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Choi Chun Chung, Danny
(Chairman and Chief Executive Officer)
Mr. Sit Sai Hung, Billy

Independent Non-executive Directors
Mr. Wong Kun To
Mr. Chu Hau Lim
Ms. Lim Xue Ling, Charlene

AUDIT COMMITTEE

Mr. Chu Hau Lim *(Chairman)*
Mr. Wong Kun To
Ms. Lim Xue Ling, Charlene

REMUNERATION COMMITTEE

Mr. Wong Kun To *(Chairman)*
Mr. Choi Chun Chung, Danny
Mr. Chu Hau Lim
Ms. Lim Xue Ling, Charlene

NOMINATION COMMITTEE

Mr. Choi Chun Chung, Danny *(Chairman)*
Mr. Wong Kun To
Mr. Chu Hau Lim
Ms. Lim Xue Ling, Charlene

COMPANY SECRETARY

Mr. Siu Kam Chau

AUDITORS

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3910–13, 39/F,
COSCO Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

Dah Sing Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Power Financial Group Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present to you the annual report for the year ended 31 December 2018.

2018 was a year marked by uncertainty and political tension as fears of a full-scale US-China trade war and a no-deal Brexit continued to grow. However, it was also a year of transformation for the Group in which a major overhaul has been made to our corporate identity, operations, compliance framework and leadership structure, laying a solid foundation for our future growth.

Against the dramatic change within the Group, as well as the increasingly volatile macroeconomic backdrop, we have stepped up efforts to execute our divestment plan and enhance our revenue base. The Group ended the year with a modest 17% increase in revenues to approximately HK$41,613,000 (2017: HK$35,545,000) and a significantly narrowed net loss attributable to owners of the Company of approximately HK$437,330,000 (2017: HK$922,661,000). Thanks to the successful strategy put in place by the new management, we are glad that the Group is making good progress in getting back on a positive trajectory.

During the year, the Group has been dedicated to expanding our sources of income in order to increase financial security. While financial services, money lending and assets investment remain as our core business, the Group has tapped into the bond investment business to introduce a new income stream that yields interest income. The new business which targets high yield bonds with short- to medium-term maturities generated a satisfactory interest income of approximately HK$13,877,000, accounting for 33% of total revenues in 2018.

In the first half of 2019, the Group sets out to revamp its margin financing operation which has been slowed down since the third quarter of 2017 due to internal restructuring. We will also devote more resources to the money lending business so as to further extend its loan portfolio; continue our efforts in the execution of divestments and realising investments; as well as proactively explore other potential investment and business opportunities, such as fixed income products, to generate more stable recurrent income. By taking such multi-pronged approach, we believe that the Group will see further improvement in the revenues in near future.

Finally, I would like to express my sincere gratitude to our shareholders, fellow Board Members and all employees for their continued support and trust to the Group. While we still have a long journey ahead of us, and there will always be obstacles and setbacks along the way, we will remain unwaveringly true to the highest principles of business ethics and integrity, doing what is right to deliver long-term value for shareholders and meet their expectations.

Choi Chun Chung, Danny
Chairman and Chief Executive Officer
22 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2018 (the "Year"), Power Financial Group Limited and its subsidiaries (the "Group") recorded revenue of approximately HK$41,613,000 (2017: HK$35,545,000), and a net loss attributable to owners of the Company of approximately HK$437,330,000 (2017: HK$922,661,000). The net loss was principally attributable to (a) losses arising on fair value changes of equity securities investments of approximately HK$325,524,000 (comprising both realised and unrealised losses) and (b) an impairment loss on amounts due from associates of approximately HK$37,335,000 and share of loss of associates of approximately HK$28,430,000 after taking into account of the declining financial performance and the working capital position of the associates and the low recoverability of the amounts due from such associates. The aforesaid unrealised losses are non-cash in nature and will not have any impact on the cash flows of the Group. The Group is still in a strong cash position, as at 31 December 2018, the Group has bank balances and cash of approximately HK$224,543,000 (2017: HK$863,552,000).

BUSINESS REVIEW

2018 was a year in which both opportunities and challenges emerged for the Group. Weak global economic growth, fears about the US-China trade war, and anti-globalisation sentiments shaded the Hong Kong investment market with uncertainties. The benchmark Hang Seng Index jumped 1.34 %, or 341.5 points, to end at 25,845.7, losing 13.61% in 2018. The Mainland stock market also experienced considerable declines. In response to the current deteriorating operational environment, the Group has placed greater emphasis on measures to strengthen its revenue base.

In addition to its core businesses such as financial services, money lending and assets investment, the Group managed to execute its plan of divestment while tapping into the bond investment sector, which has become a new source of stable and fixed interest income. The Group also expanded its loan portfolio from money lending operations, which also has generated considerable interest income. All these efforts offset the negative impacts brought about by the declining performance of margin financing operations during the Year. The Group's revenue amounted to approximately HK$41,613,000, representing a modest increase from approximately HK$35,545,000 in 2017. The loss attributable to owners of the company narrowed to approximately HK$437,333,000 (2017: HK$922,661,000), reflecting the Group's proven success in executing its divestment plan.

Financial services

The Group's financial services business mainly includes securities brokerage, margin financing and corporate finance advisory services. During the Year, this segment generated revenue of approximately HK$7,396,000 (2017: HK$32,034,000) and recorded a net loss of approximately HK$24,072,000 (2017: HK$21,099,000). As a result of the global economic slowdown and various unstable political situations, the turnover of the Hong Kong stock market continued on a decline trend during the Year. In line with the volatile market situation and negative investment climate, commissions from the securities brokerage business decreased to approximately HK$1,138,000 from approximately HK$6,397,000 in 2017. Moreover, due to the fact that Power Securities Company Limited ("Power Securities"), a wholly-owned subsidiary of the Group, restructured and has slowed down margin financing operations since the third quarter of 2017, a significant drop in revenue, particularly interest income from margin financing operations was recorded. Moreover, the Group also suffered from fewer fund-raising transactions as a result of a less active capital market during the Year.

Power Securities reviewed internal controls over margin financing, optimised the Compliance and Procedures Manual in March 2018, and reorganised its business structure progressively, it is expected that margin financing operations will be revamped in the first half of 2019.

Money lending

The Group has been engaged in money lending business through E Finance Limited a wholly-owned subsidiary of the Group. In view of recent tighter restrictions and compliance requirements for banks, the Group believed that this will provide more business opportunities for non-bank money lenders due to an ability to provide more flexible lending services to clients. With this in mind, the Group extended its money lending business to provide property mortgage loans (including first mortgage, second mortgage and sub-mortgage loans) to individuals and corporations with good credit in Hong Kong.

Thanks to an improved loan portfolio, the money lending business segment has achieved a significant rise in revenue of approximately HK$20,340,000 (2017: HK$3,511,000), which is an almost fivefold increase compared with the corresponding period, contributing to very positive results in 2018. The outstanding principal amount of loans receivables as at 31 December 2018 was approximately HK$402,207,000 (2017: HK$27,560,000). During the Year, no impairment loss was recognised for the loans and interest receivables in respect of the money lending business.

Assets investment

With respect to assets investment operations, the Group continued to suffer significant losses, principally due to the loss arising from fair value changes of listed equity securities of approximately HK$325,524,000 (2017: HK$763,792,000). Despite this, the Group has been proactively exploring other potential investment opportunities to diversify its sources of income and earn more stable and fixed income streams, subject to prevailing market conditions and taking into account the interests of the Group. During the Year, the Group introduced a new income stream that generates interest income from bond investments, targeting high yield bonds with short-to medium-term maturities. The new business has been doing well and interest income from bond investments hit approximately HK$13,877,000 (2017: Nil), accounting for approximately 33% of total revenue for the Year.

Significant investments

As at 31 December 2018, the Group's financial assets at fair value through profit or loss amounted to approximately HK$248,004,000 (2017: held-for-trading investments of approximately HK$765,733,000), including (a) equity securities of approximately HK$221,735,000 and (b) listed bond investments of approximately HK$26,269,000 respectively.

As at 31 December 2018, the Group's portfolio of financial assets at fair value through profit or loss comprised (a) 6 equity securities listed in Hong Kong and (b) 3 listed bond investments listed in Europe. For the 6 equity securities listed in Hong Kong, 5 of which accounted for approximately 1.57% of the Group's audited total assets as at 31 December 2018 and the remaining 1 accounted for approximately 11.53% of the Group's audited total assets as at 31 December 2018. For the 3 listed bond investments, total of which accounted for approximately 1.70% of the Group's audited total assets as at 31 December 2018.

As at 31 December 2018, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$516,070,000 (2017: available-for-sale investments of approximately HK$326,342,000), including (a) listed bond investments of approximately HK$343,378,000 and (b) unlisted investment funds of approximately HK$172,692,000 respectively.

As at 31 December 2018, the Group's portfolio of financial assets at fair value through other comprehensive income comprised (a) 9 unlisted investment funds and (b) 23 listed bond investments in Hong Kong or Singapore. For the 9 unlisted investment funds, each of investment funds accounted for approximately 0.00% to 2.75% of the Group's audited total assets as at 31 December 2018. For the 23 listed bond investments, each of which accounted for approximately 0.10% to 2.04% of the Group's audited total assets as at 31 December 2018.

The Directors considered that investments with a carrying amount that account for more than 5% of the Group's audited total assets as at 31 December 2018 as significant investments.

Financial assets at fair value through profit or loss (2017: held-for-trading investments)

Description of investments	Brief description of the business	Market value of investments as at 31 December 2018 (HK$'000)	Market value of investments as at 31 December 2017 (HK$'000)	Number of shares held as at 31 December 2018 ('000)	Number of shares held as at 31 December 2017 ('000)	Approximate percentage of shareholding in the investee as at 31 December 2018	Approximate percentage of shareholding in the investee as at 31 December 2017	Approximate percentage of the Group's consolidated net assets as at 31 December 2018	Approximate percentage of the Group's consolidated net assets as at 31 December 2017	Dividends received during the Year (HK$'000)	Interest income during the Year (HK$'000)	Realised gain/(loss) during the Year (HK$'000)	Unrealised loss during the Year (HK$'000)
Significant investments													
Listed securities in Hong Kong													
Town Health International Medical Group Limited (stock code: 3886)	Healthcare business investments; provision and management of medical, dental and other healthcare related services; investments and trading in properties and securities	178,002	318,960	674,762	674,762	8.97%	8.97%	12.32%	15.84%	–	–	–	(140,958)
Other investments													
Other listed securities in Hong Kong*													
(i) Kingston Financial Group Limited (stock code: 1031)	Financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory, futures brokerage and asset management services	19,508	219,765	10,488	29,302	0.08%	0.22%	1.35%	10.91%	243	–	(76,490)	(59,152)
(ii) Others		24,225	178,567							12,455	–	(23,102)	(18,702)
Listed shares outside Hong Kong		–	36,540							33	–	(7,224)	–
Listed bond investments		26,269	–							–	40	–	(254)
Unlisted investment funds		–	11,901							17	–	104	–
Grand total for the financial assets at fair value through profit or loss		248,004	765,733							12,748	40	(106,712)	(219,066)

* Other listed securities in Hong Kong mainly represented the Group's investments in 5 companies whose shares are listed on the Main Board of the Stock Exchange. Each of the investments has a carrying amount that accounted for not more than 5% of the Group's consolidated total assets as at 31 December 2018.

Financial assets at fair value through other comprehensive income (2017: available-for-sale investments)

Description of investments	Brief description of the business	Market value of investments as at 31 December 2018 (HK$'000)	Market value of investments as at 31 December 2017 (HK$'000)	Number of shares held as at 31 December 2018 ('000)	Number of shares held as at 31 December 2017 ('000)	Approximate percentage of shareholding in the investee as at 31 December 2018	Approximate percentage of shareholding in the investee as at 31 December 2017	Approximate percentage of the Group's net assets as at 31 December 2018	Approximate percentage of the Group's net assets as at 31 December 2017	Dividends received during the Year (HK$'000)	Fund returns received during the Year (HK$'000)	Interest income during the Year (HK$'000)	Loss on disposal during the Year (HK$'000)	Fair value changes recognised through other comprehensive income during the Year (HK$'000)
Listed securities in Hong Kong														
China Green (Holdings) Limited (stock code: 904)	Growing, processing and sales of agricultural products, and production and sales of consumer food products	–	13,325	–	444,168	0.00%	6.40%	0.00%	0.66%	–	–	–	–	(8,794)
Unlisted investment funds#		172,692	313,017							1,449	69,950	–	–	(67,318)
Listed bond investments*		343,378	–							–	–	13,837	(732)	(4,309)
Grand total for the financial assets at fair value through other comprehensive income		516,070	326,342							1,449	69,950	13,837	(732)	(80,421)

\# The unlisted investment funds comprise 9 different private funds. The business/investment sector of the unlisted investment funds mainly relates to various industries including, but not limited to, companies in consumer goods, retail, agricultural, medical service, social media, internet-related and mobile-application-related industries; and low-risk investment grade bonds worldwide other than those in the Asia bond market.

* The bond investments comprise 23 different bonds listed in Hong Kong or Singapore. The business/investment sector of the bonds investments mainly relates to various industries including, but not limited to property development and investment in Hong Kong and the People's Republic of China ("PRC"), corporate financing, corporate financial advisory, securities trading, commodity and futures trading, asset management and wealth management, etc.

Performance and future prospects of significant investments under financial assets at fair value through profit or loss (2017: held-for-trading investments)

The Directors would like to provide additional information on the Group's significant investments under financial assets at fair value through profit or loss as follows:

As at 31 December 2018, the Group held 674,762,000 shares of Town Health International Medical Group Limited ("Town Health"), which represented approximately 8.97% of the issued shares of Town Health as at 31 December 2018; and the aggregate carrying amount of such investment was approximately HK$178,002,000, representing approximately 11.53% of the Group's consolidated total assets as at 31 December 2018 and approximately 12.32% of the Group's consolidated net assets as at 31 December 2018.

During the Year, no dividend was received by the Group from Town Health and the Group recorded a fair value loss of approximately HK$140,958,000 for its investment in Town Health.

With regards to the future prospects of Town Health based on published information as disclosed in the interim report of Town Health for the six months ended 30 June 2018, the Directors noted that Town Health will strive to expand its business network and coverage and further enhance the service quality in the healthcare services management business; Town Health will continue to optimise the service coverage for the self-operated medical clinics; Town Health will continue to actively promote the service integration of insurance and healthcare businesses for the health management business; Town Health will continue to integrate its operation with Town Health's other businesses and seek to create synergies and improve operational efficiency for the beauty and medical cosmetic business; Town Health will continue to focus on expanding its PRC healthcare business such as community healthcare, high-end health check business, high-end PRC dental business, hospital management business and integrated health management centres in the PRC.

As disclosed in Town Health's announcement dated 18 December 2017, the board of Town Health has established an independent board committee, comprising all the independent non-executive directors, to conduct an independent investigation into the issues and matters arising from or relating to the trading suspension, to make recommendations to its board on appropriate actions to be taken, and to work towards the goal of having the shares resumed trading on the Stock Exchange. Details of update on progress of trading in the shares of Town Health are disclosed in Town Health's announcements dated 18 December 2017, 11 July 2018, 1 August 2018, 5 November 2018 and 31 January 2019.

Town Health is proactively seeking external legal advice with regard to the resumption of trading in the shares of Town Health on the Stock Exchange.

General analysis of the Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The Directors expect that the stock market in Hong Kong will continue to be volatile in the year of 2019 and such investment environment may affect the value of both financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income of the Group. The Group will closely supervise the market prices and trading of these equity and debt instruments will continue in order to optimise return. To diversify risks, the Group will adjust its current investments portfolio from time to time according to market changes and may consider acquiring other potential investments when opportunity arises.

Material acquisition and disposal of subsidiaries and affiliated companies

The Group did not have any material acquisition or disposal of subsidiaries and affiliated companies for the Year.

Deal with the risks and uncertainty

The Company continues to improve risk management policies and monitoring systems to contain exposure associated with credit, liquidity, market and IT systems in all its major operations. In addition, compliance and regulatory risk is continually monitored. It is frequently revisited and revised the risk control measures of business lines to build up a strong defense against risks.

The Company has properly put in place credit management policies which cover the examination of the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

The management closely monitors the market condition so that precautionary measures will be taken to mitigate any risk that the Company may encounter.

The management believes the weak global economic growth and anti-globalisation sentiments will present the Group with business risks and uncertainty, though we are prudently optimistic about the future of financial services business in Hong Kong as RMB further globalisation and the stock connect program enhanced and widened. These risks might make it hard for the Company to solicit new customers and grow business and it is also much harder to profit from invest in stock market when the market is volatile.

The Group has suffered a significant loss in the stock market turmoil in the Year under review both in listed shares and unlisted investments in Hong Kong. The management believes the Hong Kong stock market turmoil created a great uncertainty for the Group's assets investment businesses. To deal with these uncertainties, the Group should increase its investment portfolio by increasing long term investment further to reduce short term investment risks, diversifying its investments and also invest in fixed income products generate more stable continuing income from our investment.

Lapse of pre-conditional voluntary securities exchange partial offer and option offer

On 17 November 2017, Jicheng Investment Limited proposed to the Board that it would make a pre-conditional voluntary securities exchange partial offer and option offer to acquire 1,593,874,096 issued shares in the share capital of the Company and to cancel a maximum of 116,886,645 outstanding share options granted by the Company (the "Offers").

As the conditions to the Offers had not been fulfilled as at 3 September 2018, therefore the Offers did not become unconditional and lapsed.

BUSINESS OUTLOOK

The Hong Kong economy will likely remain on a weak footing after slowing in last two quarters of 2018, due both to the ripple effects from the U.S.-China trade war, the volatility of the RMB, concerns over China's de-leveraging policy and the less accommodating monetary policy of the U.S. Moreover, the rise of populism and the "no-deal" Brexit may also seriously affect the overall political and economic development in Europe. In China, the latest GDP growth was 6.6% last year, the lowest rate in nearly three decades. All these factors will continue to cast a shadow over the market, resulting in a lower level of business confidence, which makes it difficult for companies to plan long-term strategy and investment decisions.

Facing such a rapidly changing financial landscape, we envisage the financial services operating environment to remain challenging in the near term. In an attempt to balance business risks and achieve a stable revenue stream, the Group will continue its efforts to execute a plan of divestments and realising investments, while expanding its investment portfolio by increasing long-term investments further to reduce short-term investment risks. The Group will also invest in fixed income products to generate more stable recurrent income.

Recently, the much-awaited blueprint for the Greater Bay Area was unveiled, turning the Guangdong, Hong Kong and Macao area into a new economic powerhouse, capitalising on the complementary advantages of the three places. Hong Kong, being the financial hub is betting big on its role in the changes, from its yearlong position as "connector" to the more proactive "participant, facilitator and promoter". The initiative spells fresh new opportunities ahead for Hong Kong. Besides, the Stock and Bond Connect schedules between the Mainland China and Hong Kong continue to grow by means of increasing number of international and Mainland Chinese investors trading securities and bonds across different markets, enhance the attractiveness of the Mainland and Hong Kong stock markets.

Hong Kong's IPO market achieved stellar result as the top global listing venue in 2018 According to the report of Deloitte, around 200 IPOs raising proceeds of approximately HK$180 to 230 billion are forecasted for 2019 under the current market situation based on a pipeline of just over 200 IPO applicants. In the 2019-2020 Budget, the government considers to establish a limited partnership regime and introducing tax arrangement to attract private equity funds to set up and operate in Hong Kong and to promote mutual recognition of funds with other jurisdictions to broaden the distribution network of local fund products.

All these measures present significant business opportunities for financial institutions in Hong Kong and turn the investment sentiment to a positive and optimistic side. To capture the ample opportunities, we will extend our service offerings beyond retail clients and reach out professional investors with a view to sustain business growth. We will also outline plans to expand our securities operation, targeting professional investors who trade in HK shares.

As for money lending business, in view of the tightening measures of banks, we expect that banks may adjust their property mortgage arrangements. The demand for property mortgage loans provided by non-bank money lenders will be strong. Therefore, the Group will spend more resources in expanding its long-term secured loan business which will be the revenue growth engine for the coming year.

The financial services sector is one of Hong Kong's pillar industries. It contributes to about 18% of our GDP but accounts for only 7% of our total employment. On the back of all these developments mentioned above, the financial sector in Hong Kong has an incomparable role to play in supporting overall economic growth throughout the region. The Group will continue to cautiously monitor the business environment and continue to strengthen the competitiveness in the markets by exploring new opportunities and widening its scope of services. At the same time, the Group will strive to improve risk management capacity and establish a sound credit management process, thereby achieving stable returns amidst today's unstable market environment.

In order to expand the scope of its business and bring new dynamics for revenue growth, the Group will continue to seek potential investment and business opportunities for further development of the existing business segments.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group held bank balances and cash of approximately HK$224,543,000 (2017: HK$863,552,000). Net current assets amounted to approximately HK$1,037,949,000 (approximately HK$1,627,134,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 17.85 times (2017: 13.63 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 6.41% (2017: 7.62%).

As at 31 December 2018, the Group had outstanding borrowings of approximately HK$37,400,000 (2017: HK$137,400,000). The borrowings are unsecured and carry interest at 7% (2017: 7% to 8%) per annum and repayable in accordance with the relevant loan note certificates. As the Group's bank balances and cash and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, risk in exchange rate fluctuation would not be material.

As at 31 December 2018, the Group had shareholders' equity of approximately HK$27,836,000 (2017: HK$30,864,000).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, assets of the Group were not charged to any parties (2017: held-for-trading investments with carrying amounts of approximately HK$18,270,000 have been pledged as security for the Group's margin payable in respect of its securities trading accounts).

OPERATING LEASE COMMITMENT

Details of operating lease commitment are stated in Note 36 to the consolidated financial statements.

CAPITAL COMMITMENTS

Details of capital commitments are stated in Note 37 to the consolidated financial statements.

EVENTS AFTER THE REPORTING DATE

Details of the significant events after the reporting date are set out in Note 44 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed 36 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Group is committed to supporting the environmental sustainability. It enhances the business sustainability by doing well for our customers and to provide them with security and reliable services. It also operates the business with the highest standard of corporate governance, caring the staff and protecting the environment. In recent years, the Group has implemented several policies to encourage employees for saving energy and paper. All these policies aim at reducing resources and saving costs which are beneficial to the environment and meet the commercial goals of the Group. During the Year, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group as far as the Board is aware. The Company understands that employees, customers and suppliers are key elements to the success of the Group's business. The Group provides competitive remuneration package to motivate and retain quality staff and the Group is committed to maintaining a safe and healthy workplace for our staff. The Group has established good relationship with customers and suppliers which will enhance the Group to achieve its business goals. A report on the environmental, social and governance aspects is prepared in accordance with Appendix 27 to the Listing Rules to be issued within three months after the publication of this annual report.

EXECUTIVE DIRECTORS

Mr. Choi Chun Chung, Danny, aged 57, appointed as the chairman of the Board, a non-executive Director, the chairman of the nomination committee of the Board ("Nomination Committee") and a member of the remuneration committee of the Board ("Remuneration Committee") on 3 November 2017. Mr. Choi has been re-designated as an executive Director and appointed as the chief executive officer of the Company with effect from 2 January 2019 and continues to act as the chairman of the Board, the chairman of Nomination Committee and a member of Remuneration Committee. He is also a director of various subsidiaries of the Company.

Mr. Choi is currently a member of the Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference, the permanent chairman of the Federation of HK Guangxi Qinzhou Organisations Limited, the vice-chairman of the Federation of HK Guangxi Community Organisations and the honorary chairman of the Yuen Long Sports Association.

Mr. Choi has extensive experience in the wholesaling of diamonds and jewellery. He was employed by Wing Hang Company from 1979 to 1990. Wing Hang Company was principally engaged in wholesaling of diamonds and jewellery in Hong Kong. Since 1991, he has been a director of Diamond Outline Limited whose business includes wholesaling of diamonds and jewellery products worldwide.

Mr. Sit Sai Hung, Billy, aged 62, was appointed as an executive Director with effect from 31 August 2017. He is also a director of various subsidiaries of the Company.

Mr. Sit obtained the degree of a Bachelor of Social Science at The Chinese University of Hong Kong in 1981, a Diploma in Surveying at The College of Estate Management in 1996 and a Master of Law degree at Peking University in 2002. Mr. Sit also completed the Merchant Banking Program at the School of Business Administration of University of Washington in 1994. Mr. Sit has been working in the banking and financial related sector for more than 32 years.

Mr. Sit is currently an independent non-executive director of China Trustful Group Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 8265).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Kun To, aged 62, was appointed as an independent non-executive Director with effect from 20 October 2017. He is also the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Board.

Mr. Wong has over 26 years of experience in property development, investment and construction management. He started his career in the Shui On Group as a graduate engineer and worked for the Shui On Group from 1979 to 1992 to the position of deputy general manager. He rejoined the Shui On Group in 2006 to oversee the property division of SOCAM Development Limited ("SOCAM Development"), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 983), and successfully led a number of property acquisitions and transactions. During the period from July 2009 to June 2013, Mr. Wong has served SOCAM Development in various roles which included executive director, chief executive officer and managing director. Mr. Wong was subsequently re-designated as a non-executive director of SOCAM Development in July 2013 and he had served in such role until May 2015.

Mr. Wong was also an executive director and the managing director of Shui On Land Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 272), from January 2014 to June 2015. He was also the chief executive officer of China Xintiandi Limited, a wholly-owned subsidiary of Shui On Land Limited, from July 2013 to September 2015.

Mr. Wong holds a Bachelor of Engineering degree, and is a member of the Dalian Municipal Committee of the Chinese People's Political Consultative Conference and the Hong Kong Institution of Engineers.

Mr. Chu Hau Lim, aged 53, has been an independent non-executive Director since 29 September 2017. He is also the chairman of audit committee and a member of remuneration committee and nomination committee of the Board. Mr. Chu is mainly responsible for providing independent advice to the Board. Mr. Chu is a qualified accountant and holds an MBA degree from The Heriot-Watt University, UK.

Mr. Chu has over 30 years of experience in auditing and business advisory services as well as corporate finance and financial management work. Mr. Chu was a managing director and chief executive officer of SQ Technology Holdings Limited from October 2015 to October 2016, a company whose shares are listed on the Taiwan OTC Exchange (stock code: 3219).

Ms. Lim Xue Ling, Charlene, aged 31, was appointed as an independent non-executive Director with effect from 20 October 2017. She is also a member of the audit committee, remuneration committee and nomination committee of the Board.

Ms. Lim possesses more than 9 years of experience in internal controls and financial planning. Ms. Lim has been the cluster controller at Coats Shenzhen Limited since 2015. During the years from 2009 to 2013, she also worked in one of the major international accounting firms as a senior auditor where she accumulated experience in external audit and assurances.

She is an associate member of the Institute of Singapore Chartered Accountants. She holds a Bachelor of Accountancy degree from Nanyang Technological University, Singapore.

SENIOR MANAGEMENT

Mr. Siu Kam Chau, aged 54, currently the company secretary of the Company. He is also a director of various subsidiaries of the Company. He joined the Group in 2006. Mr. Siu graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (practising) in Hong Kong. Mr. Siu has over 29 years of working experience in auditing, accounting, company secretarial and corporate finance. Mr. Siu is currently an independent non-executive director of Wang On Group Limited (stock code: 1222) and Deson Development International Holdings Limited (stock code: 262), both of which are companies listed on the Main Board of the Stock Exchange.

Mr. Ho Chun Kit, aged 44, currently a director of Power Securities Company Limited ("Power Securities"), a subsidiary of the Company. He is currently licensed with Securities Futures Commission as a responsible officer of Power Securities for Type 1 (dealing in securities). Mr. Ho holds a Bachelor's degree in Business Administration conferred by Lingnan University in Hong Kong. He also obtained the Certified Financial Planner certification in 2008. Mr. Ho has over 21 years of experience in the financial services industry. His experience covers areas of back office settlement, front office dealing, internal control, compliance and risk management. He joined the Group in October 2014.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Power Financial Group Limited (the "Company") present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 (the "Year").

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

An analysis of the Group's performance by principal activities and geographical locations of operations for the Year is set out in Note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 41 and 42 of this annual report. The financial positions of the Company and of the Group as at 31 December 2018 are set out in the Note 45 to the consolidated financial statements and on pages 43 and 44 of this annual report respectively.

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the last five financial years is set out on page 142 of this annual report.

DONATIONS

Charitable donations made by the Group during the Year amounted to HK$Nil (2017: HK$50,000).

SUBSIDIARIES

Details of disposal of a subsidiary during the Year are set out in Note 35 to the consolidated financial statement.

Details of the Company's principal subsidiaries as at 31 December 2018 are set out in Note 41 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the Year are set out in "Management Discussion and Analysis" on pages 4 to 12 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group acquired property, plant and equipment of approximately HK$5,956,000 for the expansion of its business.

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

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

During the Year, a total of 302,820,000 ordinary shares of the Company were repurchased by the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company. The Directors believe that the repurchases reflect the Company's confidence in its long term business prospects and would ultimately benefit the Company and create value for the shareholders of the Company. Details of the repurchases of shares of the Company are as follows:

Month of repurchase	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate purchase price paid (before expenses)
		HK$	HK$	HK$
November 2018	192,000,000	0.152	0.141	28,012,020
December 2018	110,820,000	0.142	0.133	15,383,320
Total	302,820,000			43,395,340

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company during the Year.

RESERVES

Details of movements in the reserves of the Group during the Year are set out on pages 45 and 46 of this annual report.

Details of movements in the reserves of the Company during the Year are set out in Note 45 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had no reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda (as amended). The contributed surplus may only be distributable in certain circumstances.

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the five largest customers in aggregate accounted for approximately 25.36% of the turnover of the Group. The largest customer accounted for approximately 8.04% of the turnover of the Group.

The Group had no major supplier due to the nature of the principal activities of the Group.

As far as the Directors are aware, none of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest at any time during the Year in any of the Group's five largest account executives and customers.

BORROWINGS

Details of borrowings of the Group are set out in Note 29 to the consolidated financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2018 are set out in Note 43 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the Year and up to the date of this report are:

Executive Directors

Mr. Choi Chun Chung, Danny *(Chairman and Chief Executive Officer)*	(re-designated from non-executive Director to Executive Director and appointed as Chief Executive Officer with effect from 2 January 2019)
Mr. Sit Sai Hung, Billy	
Mr. Wu William Wai Leung *(Chief Executive Officer)*	(resigned with effect from 2 January 2019)
Dr. Tang Sing Hing, Kenny *(Vice Chairman)*	(retired with effect from 1 June 2018)

Independent Non-executive Directors

Mr. Wong Kun To
Mr. Chu Hau Lim
Ms. Lim Xue Ling, Charlene

In accordance with bye-law 99 of the Company's bye-laws and to comply with the requirements of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Mr. Wong Kun To and Ms. Lim Xue Ling, Charlene will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election at the AGM.

The biographical details of the Directors as at the date of this annual report are set out in "Profiles of Directors and Senior Management" on pages 13 to 15 of this annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of Directors are set out in Note 12 to the consolidated financial statements. The Directors' remuneration package is determined by the remuneration committee of the board of Directors (the "Board") with reference to their responsibilities, the Company's remuneration policy and the prevailing market conditions.

Details of emoluments of the five highest paid individuals of the Group are set out in Note 13 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 40 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective close associates had an interest in a business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business during the Year that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

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

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

Long positions in the shares of the Company

Name of Director	Capacity	Number of shares of the Company	Number of share options	Total Interests	Approximate % of the issued share capital of the Company as at 31 December 2018 (Note)
Mr. Choi Chun Chung, Danny	Beneficial owner	822,480,000	–	822,480,000	29.55%
Mr. Wu William Wai Leung	Beneficial owner	–	29,000,000	29,000,000	1.04%

Save as disclosed above, as at 31 December 2018, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Note:

The percentage of the issued share capital of the Company is calculated with reference to the Company's number of shares in issue as at 31 December 2018.

SHARE OPTION SCHEME

(a) 2003 Share Option Scheme

The share option scheme adopted by the Company on 17 November 2003 (the "2003 Share Option Scheme"), for the primary purpose of providing incentives to Directors and employees. Under the 2003 Share Option Scheme, the Company may grant options to eligible persons, including Directors and directors of the subsidiaries of the Company, to subscribe for the shares of the Company.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 4 June 2013 (the "2013 AGM"), the Company terminated the 2003 Share Option Scheme. The share options granted under the 2003 Share Option Scheme prior to its termination shall continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

Particulars of the 2003 Share Option Scheme and details of movements of share options during the Year are set out in Note 31 to the consolidated financial statements.

(b) 2013 Share Option Scheme

A new share option scheme was approved and adopted by the Shareholders at the 2013 AGM (the "2013 Share Option Scheme"), for the primary purpose of providing incentives to Directors and employees. Under the 2013 Share Option Scheme, the Company may grant options to eligible persons, including Directors and directors of the subsidiaries of the Company, to subscribe for the shares of the Company.

Particulars of the 2013 Share Option Scheme and details of movements of share options during the Year are set out in Note 31 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save for the share option schemes of the Group as set out under the section headed "Share Option Scheme" of this report, no equity-linked agreements were entered into by the Group, or existed during the Year.

PERMITTED INDEMNITY PROVISION

The bye-laws of the Company provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty. The relevant bye-law was in force during the Year and as at the date of this report. The Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the directors and officers of the Company and its subsidiaries.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors or chief executive of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS

So far as is known to any Director or chief executive of the Company, as at 31 December 2018, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares of the Company	Approximate % of the issued share capital of the Company as at 31 December 2018 (Note 2)
China Mobile Games and Entertainment Group LTD.	Beneficial owner	176,994,000 (Note 1)	6.36%

Notes:

(1) The number of shares held by the shareholder have been adjusted as a result of the capital reorganisation (the "Capital Reorganisation") approved by the shareholders of the Company at the special general meeting of the Company held on 5 April 2016 which involved, among other steps, (i) the share consolidation of 10 pre-consolidated shares into 1 share of HK$0.10 and (ii) the reduction of the share capital of the Company whereby the par value of each of the then issued consolidated shares of HK$0.10 each was reduced from HK$0.10 to HK$0.01 each by cancelling the paid-up capital of the Company to the extent of HK$0.09 on each of the then issued consolidated share and thereby creating the shares and the Capital Reorganisation became effective on 6 April 2016.

(2) The percentage of the issued share capital of the Company is calculated with reference to the Company's number of shares in issue as at 31 December 2018.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the corporate governance report on pages 24 to 34 of this annual report.

AUDITOR

On 18 January 2017, Deloitte Touche Tohmatsu ("Deloitte") had been appointed as auditor of the Company to fill the casual vacancy following the resignation of HLB Hodgson Impey Cheng Limited.

The consolidated financial statements for the year ended 31 December 2016 were audited by Deloitte.

On 20 December 2017, BDO Limited ("BDO") had been appointed as auditor of the Company to fill the casual vacancy following the resignation of Deloitte.

The consolidated financial statements for the year ended 31 December 2017 and 31 December 2018 were audited by BDO who will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

Save for the above, there has been no other change in the auditor of the Company in any of the preceding three years.

On behalf of the Board

Choi Chun Chung, Danny
Chairman and Chief Executive Officer
22 March 2019

CORPORATE GOVERNANCE REPORT

The board of directors (the "Directors") of Power Financial Group Limited (the "Company") is committed to maintaining a good corporate governance standard. The board of Directors (the "Board") believes that a good corporate governance standard will provide a framework for the Company and its subsidiaries (the "Group") to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders (the "Shareholders") and creditors of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2018 (the "Year").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

As at the date of this report, the Board is comprised of five Directors including two executive Directors and three independent non-executive Directors. The biographical details of the Directors are set out in "Profiles of Directors and Senior Management" on pages 13 to 15 of this annual report.

The Board held nine meetings during the Year. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The executive Directors are delegated with the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent non-executive Directors provide their professional advices to the Group whenever necessary. The management, under the leadership of the Board, will be empowered to implement the Group's strategies and business objectives.

Composition of the Board, including names of the independent non-executive Directors, is disclosed in all corporate communications to Shareholders. An updated list of Board members identifying their roles and functions is maintained on the websites of the Stock Exchange and the Company.

All the Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expense of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover for the Directors.

The attendance of each Director at the Board meetings and the general meetings of the Company during the Year are set out below:

	Number of meetings attended/eligible to attend	
Directors	**Board**	**General Meeting**
Executive Directors		
Mr. Sit Sai Hung, Billy	9/9	2/2
Mr. Wu William Wai Leung *(Chief Executive Officer)* (resigned with effect from 2 January 2019)	9/9	2/2
Dr. Tang Sing Hing, Kenny *(Vice Chairman)* (retired with effect from 1 June 2018)	3/3	1/2
Non-executive Director		
Mr. Choi Chun Chung, Danny *(Chairman)* (re-designated as Executive Director and appointed as Chief Executive Officer with effect from 2 January 2019)	9/9	2/2
Independent non-executive Directors		
Mr. Wong Kun To	8/9	2/2
Mr. Chu Hau Lim	9/9	2/2
Ms. Lim Xue Ling, Charlene	8/9	2/2

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Year, the Directors participated in the following trainings:

Name of Director	Reading written training materials, newspapers, and updates relating to the Listing Rules, general business or other relevant topics
Executive Directors	
Mr. Sit Sai Hung, Billy	✓
Mr. Wu William Wai Leung *(Chief Executive Officer)* (resigned with effect from 2 January 2019)	✓
Dr. Tang Sing Hing, Kenny *(Vice-chairman)* (retired with effect from 1 June 2018)	✓
Non-executive Director	
Mr. Choi Chun Chung, Danny *(Chairman)* (re-designated as Executive Director and appointed as Chief Executive Officer with effect from 2 January 2019)	✓
Independent non-executive Directors	
Mr. Wong Kun To	✓
Mr. Chu Hau Lim	✓
Ms. Lim Xue Ling, Charlene	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, Mr. Choi Chun Chung, Danny ("Mr. Choi") is the chairman of the Board (the "Chairman") and Mr. Wu William Wai Leung ("Mr. Wu") is the chief executive officer of the Group ("Chief Executive Officer"), they have segregated and clearly defined roles. The Chairman provides leadership for the Board. The Chief Executive Officer has responsibility for the Group's business development and daily management generally.

With effect from 2 January 2019, Mr. Wu has resigned as an executive Director and the Chief Executive Officer. Following the resignation of Mr. Wu, Mr. Choi has been re-designated as an executive Director and appointed as the Chief Executive Officer with effect from 2 January 2019. Mr. Choi would continue to act as the Chairman.

Although Mr. Choi's acting as the Chairman and the Chief Executive Officer concurrently deviates from the code provision A.2.1 of the CG Code, the Board believes that, after evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Choi, (i) it is appropriate and in the interests of the Company at the present stage for Mr. Choi to hold both positions as the Chairman and the Chief Executive Officer as it helps to maintain the continuity of the policies and the stability of the operations of the Company; and (ii) such practice will not impair the balance of power and authority under the present arrangement and will be adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to rule 3.10 of the Listing Rules, the Company has three independent non-executive Directors, one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual written confirmation of independence from each of the independent non-executive Directors pursuant to the independence guidelines set out in rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent.

During the Year, each of the non-executive Directors was appointed for a specific term of one year and is subject to retirement by rotation at least once every three years. Retiring Directors are eligible for re-election at the annual general meetings of the Company.

REMUNERATION COMMITTEE

The Board has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Remuneration Committee are, taking into consideration of the company's operation results, individual performance and comparable market statistics to formulate the Company's remuneration policy and recommend remuneration packages for the Directors and senior management of the Company to the Board for approval. The Company's remuneration policy is to provide a competitive level of remuneration in accordance with current market conditions to attract and motivate the Directors and staff for their contribution.

As at the date of this annual report, the Remuneration Committee comprises one executive Director, Mr. Choi Chun Chung, Danny and three independent non-executive Directors, namely Mr. Wong Kun To (the chairman of the Remuneration Committee), Mr. Chu Hau Lim and Ms. Lim Xue Ling, Charlene.

The Remuneration Committee held one meeting during the Year. During the Year, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management of the Group and recommended specific remuneration packages of the Directors and senior management of the Company to the Board.

The attendance of each member of the Remuneration Committee at the meeting during the Year is set out below:

Committee members	Number of meeting attended/eligible to attend
Mr. Wong Kun To *(Chairman of the Remuneration Committee)*	1/1
Mr. Choi Chun Chung, Danny	1/1
Mr. Chu Hau Lim	1/1
Ms. Lim Xue Ling, Charlene	1/1

NOMINATION COMMITTEE

The Board has established a nomination committee (the "Nomination Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Nomination Committee are to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, to make recommendation on proposed changes to the Board, and to assess the independence of the independent non-executive Directors.

In August 2013, the Board adopted a board diversity policy (the "Board Diversity Policy") and the terms of reference of the Nomination Committee was updated. The Nomination Committee is responsible for reviewing and assessing the Board's composition. In reviewing the Board's composition, the Nomination Committee will consider a number of aspects of the Board diversity, 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.

As at the date of this annual report, the Nomination Committee comprises one executive Director, Mr. Choi Chun Chung, Danny (the chairman of the Nomination Committee) and three independent non-executive Directors, namely Mr. Wong Kun To, Mr. Chu Hau Lim and Ms. Lim Xue Ling, Charlene.

The Nomination Committee held two meetings during the Year. During the Year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, recommended to the Board on the re-election of all retiring Directors at the annual general meeting of the Company held on 1 June 2018 and recommended to the Board on the re-designation of executive Director and the appointment of Chief Executive Officer.

The attendance of each member of the Nomination Committee at the meeting during the Year is set out below:

Committee members	Number of meeting attended/eligible to attend
Mr. Choi Chun Chung, Danny *(Chairman of the Nomination Committee)*	2/2
Mr. Wong Kun To	2/2
Mr. Chu Hau Lim	2/2
Ms. Lim Xue Ling, Charlene	2/2

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Audit Committee is to consider the appointment and remuneration of the external auditors, to monitor the integrity of the Group's financial statements with focus on the changes in accounting policies and practices, major judgmental areas, significant audit adjustments, going concern assumptions, and compliance with accounting standards, the Listing Rules and other applicable legal requirements, and to review the Group's financial reporting system, risk management and internal control procedures.

As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chu Hau Lim (the chairman of the Audit Committee), Mr. Wong Kun To and Ms. Lim Xue Ling, Charlene.

The Audit Committee held two meetings during the Year. During the Year, the Audit Committee reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017 and the unaudited consolidated financial information for the six months ended 30 June 2018 respectively, discussed audit scope and findings with the Company's independent auditor, reviewed the Group's financial reporting system, risk management and internal control system and the effectiveness of internal audit function, and made recommendation to the Board regarding appointment and remuneration of the external auditor. In the meeting of the Audit Committee of March 2019, the Audit Committee reviewed the Group's audited consolidated financial statements for the Year prior to recommending them to the Board for approval and discussed the internal audit report and other supporting document for the review of risk management and internal control systems and the effectiveness of internal audit function.

The attendance of each member of the Audit Committee at the meetings during the Year is set out below:

Committee members	Number of meetings attended/eligible to attend
Mr. Chu Hau Lim *(Chairman of Audit Committee)*	2/2
Mr. Wong Kun To	2/2
Ms. Lim Xue Ling, Charlene	2/2

CORPORATE GOVERNANCE FUNCTION

The Board is collectively responsible for performing the corporate governance duties with written terms of reference which include the applicable code provisions as set out in the CG Code. During the Year, the Board reviewed and monitored the training and continuous professional development of the Directors and senior management of the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report and the policy on compliance with legal and regulatory requirements.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's auditor, BDO Limited, for their audit services and non-audit services for the Year are set out as follows:

	Fees paid/ payable HK$'000
Audit services	
Audit for the Year	1,500
Non-audit services	
Review of interim financial information	120
Tax related services	88
Preparation and issuance of comfort letter and consent letter	138
Total	1,846

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the Year. The Directors have prepared the consolidated financial statements of the Group on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to the relevant statutory requirements.

The auditor's responsibilities are set out in the Independent Auditor's Report on pages 35 to 40 of this annual report.

The consolidated financial statements for the Year were audited by BDO Limited who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. The Audit Committee has recommended to the Board that BDO Limited be re-appointed as the auditor of the Company at the forthcoming annual general meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Board, through the Audit Committee, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During the Year, the Group appointed Corporate Governance Professionals Limited ("CGPL") (formerly known as Baker Tilly Hong Kong Risk Assurance Limited) to:

– assist in identifying and assessing the risks of the Group through interviews; and

– independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by CGPL to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of CGPL as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the Securities and Futures Ordinance. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

Enterprise Risk Management Framework

The Group has established its enterprise risk management framework since 2017. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritised and allocated treatments. The risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversights risk management and internal audit functions.

Risk Control Mechanism

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by CGPL. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The risk management activities are performed by management on an ongoing process. The effectiveness of the risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

COMMUNICATION WITH SHAREHOLDERS

The Company provides information in relation to the Group to the Shareholders in a timely manner through a number of formal channels, including interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website.

During the Year, separate resolutions were proposed at the general meetings of the Company for each substantial issue, including the re-election of Directors.

The chairman of the general meetings of the Company explained the procedures for conducting a poll at the beginning of each general meeting of the Company held during the Year. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

During the Year, there were no material amendments made to the constitutional documents of the Company. The Company's Memorandum of Association and New Bye-law has been updated due to the change of the Company's name and published on the websites of the Stock Exchange and the Company on 7 May 2018.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary"), Mr. Siu Kam Chau, is a full time employee of the Group and has day-to-day knowledge of the Group's affairs. During the Year, the Company Secretary has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene a general meeting

1. The Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times may by written requisition deposit at the Company's head office at Units 3910–13, 39/F, COSCO Tower, 183 Queen's Road Central, Hong Kong, for the attention to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

2. The written requisition must state the purposes of the meeting, and must be signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

3. The signatures and the requisition will be verified by the Company's Hong Kong branch share registrar. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within twenty-one (21) days from the date of deposit of such requisition.

4. If the Board does not within twenty-one (21) days from the date of the deposit of a valid requisition, proceed duly to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. In addition, such meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Shareholders' Enquiries

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar, Tricor Tengis Limited.

Shareholders may send written enquiries to the Company, for the attention of the Board or the Company Secretary, by email: contact@powerfinancial.com.hk, fax: (852) 2270 6611, or mail to Units 3910–13, 39/F, COSCO Tower, 183 Queen's Road Central, Hong Kong. Shareholders may call the Company at (852) 2270 6600 for any assistance.

Procedures for Shareholders to put forward proposals

1. The Shareholders holding not less than one-twentieth (1/20) of the total voting rights of those Shareholders having the right to vote at such meeting or not less than one hundred (100) Shareholders, at the expenses of the Shareholders concerned, can submit a written requisition to move a resolution at a general meeting.

2. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned and may consist of several documents in like form (which between them contain the signatures of all the Shareholders concerned).

3. The written requisition must be deposited at Units 3910–13, 39/F, COSCO Tower, 183 Queen's Road Central, Hong Kong, the head office of the Company, for the attention of the Board or the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.

4. The signatures and the requisition will be verified by the Company's Hong Kong branch share registrar. Upon verification that the request is valid, the Company Secretary will ask the Board to (i) include the resolution in the agenda for the annual general meeting; or (ii) convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the Shareholders, provided that the Shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

DIVIDEND POLICY

The Board has adopted a dividend policy of the Company ("Dividend Policy"). The Dividend Policy aims to allow the Shareholders to participate in the Company's profits by provision of dividends whilst preserving the Company's liquidity to capture future growth opportunities. The Company may declare and pay dividends to the Shareholders depending on, amongst other factors, the Company's operation and financial performance, liquidity conditions, capital requirements, future funding needs, contractual restrictions, availability of reserves and prevailing economic climate. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. The Board will review this policy from time to time and may adopt changes as appropriate at the relevant time.

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TO THE SHAREHOLDERS OF POWER FINANCIAL GROUP LIMITED
(FORMERLY KNOWN AS JUN YANG FINANCIAL HOLDINGS LIMITED)
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Power Financial Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 41 to 141, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Valuation of financial assets at fair value through profit or loss ("FVTPL") classified as Level 3 fair value *(refer to Notes 4(g) on significant accounting policies, 22 and 39 to the consolidated financial statements)*

As at 31 December 2018, financial assets at FVTPL amounted to approximately HK$248,004,000 which represented approximately 16.06% of the total assets of the Group. These financial assets were mainly equity securities listed in The Stock Exchange of Hong Kong Limited. They were kept by custodians and measured at fair value. Furthermore, as at 31 December 2018, the financial assets at FVTPL classified as Level 3 fair value amounting to approximately HK$194,996,000 were suspended shares which represented approximately 12.63% of the total assets of the Group. Independent external valuation report was obtained in order to support management's judgement and estimates.

We identified the valuation of financial assets at FVTPL classified as Level 3 fair value as a key audit matter due to the significance of the judgment and estimates made by the management and the subjectivity in determination of level 3 fair value given the lack of availability of market-based data.

Our response:

Our procedures in relation to valuation of financial assets at FVTPL classified as Level 3 fair value included:

– obtaining independent confirmations from the custodians and counterparties of the investment portfolio held at 31 December 2018, and agreed the quantities held to the financial records;

– evaluating the independent valuer's competence, capabilities and objectivity;

– evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge;

– evaluating the appropriateness of the key inputs by independently checking to the external data; by evaluating the rationale of management's judgment on the key inputs; and

– engaging our internal valuation specialist to assist us evaluating and assessing the appropriateness of the key assumptions used in the valuation.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of loans and interest receivables *(refer to Notes 4(g) on significant accounting policies, 23 to the consolidated financial statements)*

As at 31 December 2018, the Group had significant loans and interest receivables of approximately HK$404,849,000, representing approximately 26.21% of the Group's total assets in total. The loans and interest receivables are due from independent individuals and corporations and approximately 88.84% of the balances were secured by the collaterals.

The Group measures the expected credit losses ("ECLs") of loans and interest receivables in a way to reflect i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; ii) the time value of money; and iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

We identified the impairment assessment of loans and interest receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the key management judgements and estimates associated with determining the ECLs.

Our response:

Our procedures in relation to the management's impairment assessment of loans and interest receivables included:

– understanding the Group's internal controls relating to the collection, use and retention of the Group's data for ECLs estimation on loans and interest receivables;

– understanding the ECLs models established by the Group and assessing the ECLs estimation of loan and interest receivables made by the management based on its correlation with previous, subsequent or forecast data of the Group;

– reviewing the Group's assumptions on the expected future cash flows, including the value of realisable collateral based on available market information;

– assessing the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECLs basis and the qualitative assessment; and

– assessing the adequacy of the Group's disclosures regarding loans and interest receivables, the related risks such as credit risk and the aging of loans and interest receivables.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

- 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.

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

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

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

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants
Li Yin Fan
Practising Certificate Number P03113

Hong Kong, 22 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**41,613**	35,545
Direct operating costs		**(12,193)**	(11,444)
Gross profit		**29,420**	24,101
Other income, gains and losses	8	**(348,303)**	(799,993)
Administrative expenses		**(82,334)**	(107,789)
Share of results of associates		**(28,430)**	(20,906)
Finance costs	9	**(6,917)**	(17,844)
Loss before tax	10	**(436,564)**	(922,431)
Income tax expense	11	**(810)**	(450)
Loss for the year		**(437,374)**	(922,881)
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(451)**	235
Share of other comprehensive (expense) income of associates		**(8,337)**	9,908
Fair value changes of debt instruments at fair value through other comprehensive income		**(4,309)**	–
Item that will not be reclassified to profit or loss:			
Fair value changes of equity instruments at fair value through other comprehensive income		**(72,382)**	–
Other comprehensive (expense) income for the year, net of income tax		**(85,479)**	10,143
Total comprehensive expense for the year		**(522,853)**	(912,738)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(437,330)**	(922,661)
Non-controlling interests		**(44)**	(220)
		(437,374)	(922,881)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(522,809)**	(912,518)
Non-controlling interests		**(44)**	(220)
		(522,853)	(912,738)
Loss per share			
– Basic and diluted (HK cents)	15	**(14.23)**	(31.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**58,924**	59,878
Goodwill	17	**808**	808
Interests in associates	18	**455**	37,222
Loans and interest receivables	23	**1,357**	–
Financial assets at fair value through profit or loss	22	**26,269**	–
Debt instruments at fair value through other comprehensive income	21	**184,181**	–
Equity instruments at fair value through other comprehensive income	20	**172,692**	–
Available-for-sale investments	19	**–**	326,342
Other assets		**155**	225
		444,841	424,475
CURRENT ASSETS			
Loans and interest receivables	23	**403,492**	29,098
Amounts due from associates	24	**–**	37,166
Trade and other receivables	25	**39,051**	38,151
Tax recoverable		**2,092**	2,951
Debt instruments at fair value through other comprehensive income	21	**159,197**	–
Financial assets at fair value through profit or loss	22	**221,735**	–
Held-for-trading investments	22	**–**	765,733
Bank trust account balances	26	**49,439**	19,283
Bank balances and cash	27	**224,543**	863,552
		1,099,549	1,755,934
CURRENT LIABILITIES			
Trade and other payables	28	**61,600**	28,800
Borrowings	29	**–**	100,000
		61,600	128,800
NET CURRENT ASSETS		**1,037,949**	1,627,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,482,790**	2,051,609

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITY			
Borrowings	29	**37,400**	37,400
NET ASSETS		**1,445,390**	2,014,209
CAPITAL AND RESERVES			
Share capital	30	**27,836**	30,864
Reserves		**1,416,091**	1,978,463
Equity attributable to owners of the Company		**1,443,927**	2,009,327
Non-controlling interests		**1,463**	4,882
TOTAL EQUITY		**1,445,390**	2,014,209

The consolidated financial statements on pages 41 to 141 were approved and authorised for issue by the Board of Directors on 22 March 2019 and are signed on its behalf by:

Mr. Choi Chun Chung, Danny
DIRECTOR

Mr. Sit Sai Hung, Billy
DIRECTOR

	Attributable to owners of the Company												
	Share capital HK$'000 (Note 30)	Share premium HK$'000	Treasury shares HK$'000 (Note (i))	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note (ii))	Other reserve HK$'000 (Note (v))	Translation reserve HK$'000 (Note (iii))	Investment revaluation reserve HK$'000 (Note (vi))	Share-based payments reserve HK$'000 (Note (iv))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	29,117	3,801,296	–	861	494,907	(14,120)	–	–	38,810	(1,481,835)	2,869,036	5,102	2,874,138
Loss for the year	–	–	–	–	–	–	–	–	–	(922,661)	(922,661)	(220)	(922,881)
Other comprehensive income for the year	–	–	–	–	–	9,908	235	–	–	–	10,143	–	10,143
Total comprehensive expense for the year	–	–	–	–	–	9,908	235	–	–	(922,661)	(912,518)	(220)	(912,738)
Issue of shares upon exercise of share options (Note 30(a))	1,747	39,321	–	–	–	–	–	–	(11,378)	–	29,690	–	29,690
Lapse of share options	–	–	–	–	–	–	–	–	(39,958)	39,958	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	15,089	–	15,089	–	15,089
Disposal of an associate	–	–	–	–	–	8,030	–	–	–	–	8,030	–	8,030
At 31 December 2017 and 1 January 2018	**30,864**	**3,840,617**	**–**	**861**	**494,907**	**3,818**	**235**	**–**	**2,563**	**(2,364,538)**	**2,009,327**	**4,882**	**2,014,209**
Adjustment of accumulated losses pursuant to HKFRS 9	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(211,190)**	**–**	**211,190**	**–**	**–**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(437,330)**	**(437,330)**	**(44)**	**(437,374)**
Other comprehensive expenses for the year	**–**	**–**	**–**	**–**	**–**	**(8,337)**	**(451)**	**(76,691)**	**–**	**–**	**(85,479)**	**–**	**(85,479)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**–**	**–**	**(8,337)**	**(451)**	**(76,691)**	**–**	**(437,330)**	**(522,809)**	**(44)**	**(522,853)**
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to accumulated losses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**78,408**	**–**	**(78,408)**	**–**	**–**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**555**	**–**	**555**	**–**	**555**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(748)**	**748**	**–**	**–**	**–**
Acquisition of non-controlling interests (Note 34)	**–**	**–**	**–**	**–**	**–**	**249**	**–**	**–**	**–**	**–**	**249**	**(3,375)**	**(3,126)**
Share repurchase (Note 30(b))	**–**	**–**	**(43,395)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(43,395)**	**–**	**(43,395)**
Cancellation of shares	**(3,028)**	**(40,367)**	**43,395**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2018	**27,836**	**3,800,250**	**–**	**861**	**494,907**	**(4,270)**	**(216)**	**(209,473)**	**2,370**	**(2,668,338)**	**1,443,927**	**1,463**	**1,445,390**

Notes:

(i) The treasury shares represents the share repurchased and cancelled during the year ended 31 December 2018.

(ii) The contributed surplus represents reserves arising from (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the corporate reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1993; and (ii) the Company's capital reorganisation exercises in current and prior financial years. Under the Companies Act of Bermuda, the contributed surplus of the Company is distributable to shareholders under certain circumstances.

(iii) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve are reclassified to profit or loss upon the disposal of foreign operations.

(iv) The share-based payments reserve relates to share options granted to employees under the Company's share option scheme and other agreement. Further information about share-based payments to employees is set out in Note 31.

(v) The other reserves as at year end date relates to the share of translation reserve of the net assets of the associates' operation from their functional currency to the Group's presentation currency and the difference between the consideration paid for acquisition of non-controlling interests and their carrying amounts during the year ended 31 December 2018.

(vi) Investment revaluation reserve represents fair value reserve comprising the cumulative net change in the fair value of equity investments and debt investments designed at fair value through other comprehensive income under HKFRS 9 that are held at the end of the reporting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Loss for the year		**(437,374)**	(922,881)
Adjustments for:			
Income tax expense	11	**810**	450
(Gain) loss on disposal of subsidiaries	35	**(32)**	4,326
Loss on disposal of an associate	8	**–**	2,344
Loss (gain) on deregistration of a subsidiary	8	**107**	(1,028)
Share of results of associates		**28,430**	20,906
Depreciation of property, plant and equipment	16	**4,269**	3,265
Loss on disposal of property, plant and equipment	10	**2,370**	1,938
Finance costs	9	**6,917**	17,844
Interest income		**(39,537)**	(27,641)
Loss on disposal of debt instruments	8	**732**	–
Gain on disposal of available-for-sale investments	8	**–**	(41,084)
Fair value changes of equity instruments at fair value through profit or loss	8	**325,524**	–
Fair value change of held-for-trading investments	8	**–**	763,792
Fair value changes of debt instruments at fair value through profit or loss	8	**254**	–
Impairment loss on amounts due from associates	8	**37,335**	–
Impairment loss on available-for-sale investments	8	**–**	141,126
Dividend income from listed securities	8	**(12,748)**	(5,788)
Dividend income from unlisted investment funds	8	**(1,449)**	(54,857)
Impairment loss on trade and other receivables	10	**4,156**	29,904
Recovery of impairment loss on trade receivables	10	**(18)**	(876)
Equity-settled share-based payments expenses	31	**555**	15,089
Operating cash flows before movements in working capital		**(79,699)**	(53,171)
Decrease in trade and other receivables		**7,025**	372,796
Decrease in other assets		**70**	–
(Increase) decrease in loans and interest receivables		**(374,647)**	878
Decrease in listed equity securities		**218,474**	387,401
Increase in listed bond investments		**(374,942)**	–
(Increase) decrease in bank trust account balances		**(30,156)**	41,710
Increase (decrease) in trade and other payables		**34,006**	(59,094)
Cash generated (used in) from operations		**(599,869)**	690,520
Income taxes refund (paid)		**49**	(14,084)
Dividend income received from listed equity securities		**12,748**	5,788
Interest income received from money lending business, financial service business and listed bond investments		**24,027**	27,394
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(563,045)**	709,618

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Interest received		**1,163**	855
Purchase of property, plant and equipment	16	**(5,956)**	(4,174)
Proceeds from disposal of property, plant and equipment		**271**	–
Repayment from an associate		**–**	40,121
Purchase of investment funds		**(23,282)**	(148,437)
Proceeds from disposal of investment funds		**104,550**	80,552
Proceeds from disposal of an associate		**–**	27,092
Increase in amounts due from associates		**(169)**	–
Net cash inflow on disposal of subsidiaries	35	**6**	51,000
Dividend income received from investment funds		**1,449**	54,857
NET CASH FROM INVESTING ACTIVITIES		**78,032**	101,866
FINANCING ACTIVITIES			
Interest paid		**(6,917)**	(17,844)
Acquisition of non-controlling interests	34	**(3,126)**	–
Payment on repurchase of shares	30	**(43,395)**	–
Proceeds from issue of loan notes		**–**	37,400
Proceeds from margin financing		**–**	1,092
Repayment of loan notes		**(100,000)**	(180,800)
Proceeds from exercise of share options		**–**	29,690
NET CASH USED IN FINANCING ACTIVITIES		**(153,438)**	(130,462)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(638,451)**	681,022
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**863,552**	182,286
Effect of foreign exchange rate changes		**(558)**	244
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**224,543**	863,552

1. GENERAL

Power Financial Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda, and its head office and principal place of business in Hong Kong is situated at Units 3910–13, 39/F. COSCO Tower, 183 Queen's Road Central, Hong Kong.

The Company acts as an investment holding company and the principal activities of its principal subsidiaries are set out in Note 41.

The consolidated financial statements for the year ended 31 December 2018 were approved by the board (the "Board") of directors (the "Directors") on 22 March 2019.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance ("CO"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

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

(c) Functional and presentation currency

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Adoption of new/revised HKFRSs – effective 1 January 2018

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2018:

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Classifications to HKFRS 15 Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these consolidated financial statements as the Group is not a venture capital organisation.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these consolidated financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these consolidated financial statements as the Group has not paid or received advance consideration in a foreign currency.

HKFRS 9 – Financial Instruments

HKFRS 9 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: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balances of accumulated losses and investment revaluation reserve as of 1 January 2018 as follows:

Accumulated losses	HK$'000
Accumulated losses as at 31 December 2017	(2,364,538)
Reclassify impairment loss previously recognised of available-for-sale investments to investment revaluation reserve (Note (c) below)	211,190
Restated accumulated losses as at 1 January 2018	(2,153,348)

Investment revaluation reserve	HK$'000
Investment revaluation reserve at 31 December 2017	–
Reclassify impairment loss previously recognised of available-for-sale investments to investment revaluation reserve (Note (c) below)	(211,190)
Restated investment revaluation reserve as at 1 January 2018	(211,190)

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 9 – Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 9 – Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 9 – Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

(a) As of 1 January 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets to FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As at 1 January 2018, there was no difference between the previous carrying amount and the fair value.

(b) As of 1 January 2018, the unquoted equity investments were reclassified from available-for-sale financial assets at cost to FVOCI. These unquoted equity instruments have no quoted price in an active market. The Group intends to hold these unquoted equity investments for long term strategic purposes. In addition, the Group has designated the unquoted equity instruments at the date of initial application as measured at FVOCI. As at 1 January 2018, there was no difference between the previous carrying amount and the fair value.

(c) The impairment loss previously recognised of approximately HK$211,190,000 in relation to available-for-sale financial instruments were transferred from accumulated losses to investment revaluation reserve as at 1 January 2018.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 HK$	Carrying amount as at 1 January 2018 under HKFRS 9 HK$
Listed equity investments	Held-for-trading	FVTPL	765,733	765,733
Listed equity investments	Available-for-sale (at fair value) (Note (a))	FVOCI	13,325	13,325
Unlisted equity investments	Available-for-sale (at cost) (Note (b))	FVOCI	313,017	313,017
Trade receivables	Loans and receivables (Note (ii))	Amortised cost	30,916	30,916
Loans and interest receivables	Loans and receivables (Note (ii))	Amortised cost	29,098	29,098
Amounts due from associates	Loans and receivables (Note (ii))	Amortised cost	37,166	37,166
Other receivables	Loans and receivables (Note (ii))	Amortised cost	7,235	7,235
Bank trust account balances	Loans and receivables	Amortised cost	19,283	19,283
Bank balances and cash	Loans and receivables	Amortised cost	863,552	863,552

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 9 – Financial Instruments *(Continued)*

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs and debt investments at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

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. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For loans receivables, advances to customers in margin financing, trade and other receivables, amounts due from associates and debt instruments at FVOCI, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 9 – Financial Instruments *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of ECLs model

The Group assessed the ECLs of financial assets measured at amortised cost as at 1 January 2018. In consideration of current and future economic conditions which have an adverse effect on debtors' business, debtors' creditworthiness, the payment delinquency, default in interest or principal payments and fair values of collaterals, there was no significant changes to the loss allowance for these financial assets of the Group as at 1 January 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018, hence the differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at the date of initial application (i.e. 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

Based on the assessment of the Group, the adoption of HKFRS 15 from 1 January 2018 has resulted in changes of accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 January 2018 have been made.

Amendments HKFRS 15 – Clarification to HKFRS 15 Revenue from Contracts with Customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these consolidated financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

3 Effective for annual periods beginning on or after 1 January 2020.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Venture

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition of material and align the definition used across the HKFRSs. 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, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. An entity shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Earlier application of these amendments is permitted, including in annual reporting periods beginning before 18 January 2019 (the date of issuance of these amendments). If an entity applies these amendments for an earlier period, it shall disclose that fact.

Except as described below, the Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

HKFRS 16 – *Leases*

HKFRS 16, which upon the effective date will supersede HKAS17, Leases, and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in Note 36. As at 31 December 2018, the Group has non-cancellable operating lease commitment of approximately HK$7,824,000. The Group made an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. It indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group's consolidated statement of financial position. However, the adoption would not have significant impact on the Group's financial performance.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

- Substantive potential voting rights held by the Company and other parties who hold voting rights;

- Other contractual arrangements; and

- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment loss, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(o)), and whenever there is an indication that the unit may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Goodwill *(Continued)*

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The depreciation rates are as follows:

Leasehold improvements	10% to 20%
Building	3.33%
Office equipment	10% to 40%
Furniture and fixtures	10% to 40%
Motor vehicles	20%

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing

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

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Financial instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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 market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(i) Financial assets *(Continued)*

Debt instruments (Continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: 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.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For financial assets at amortised cost and debt instruments at FVOCI, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECLs provision measured in accordance with principles of the accounting policy set out in note 4(g)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(viii) Offsetting of financial instruments

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 settled on a net a basis, or to realise the assets and liabilities simultaneously.

(h) Financial instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(i) ***Financial assets*** *(Continued)*

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. 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 or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vii) Offsetting of financial instruments

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 settled on a net a basis, or to realise the assets and liabilities simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Revenue recognition (accounting policies applied from 1 January 2018)

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, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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 amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment 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.

(i) Commission income from securities brokerage

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

(ii) Commission income from placing and underwriting

Placing and underwriting commission income is recognised on the trade date when the Group purchases the securities from the issuer or the date the Group sells the securities to third-party investors.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Revenue recognition (accounting policies applied from 1 January 2018) *(Continued)*

(iii) Corporate finance advisory income

Corporate finance advisory income from providing specified financial advisory and acing as independent financial adviser are recognised at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, as only that time the Group has a present right to payment from the customers for the service performed. Invoices for the financial services are issued upon signing service contracts and when stated milestones in the contract are reached.

Advisory fee income from provision of services under retainers is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit providing by the Group performs and revenue can be measured reliably.

(iv) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investment is recognised when the share price of the investment goes ex-dividend.

Contract costs (accounting policies applied from 1 January 2018)

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Revenue recognition (accounting policies applied until 31 December 2017)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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

Commission and brokerage income on securities dealings are recognised as revenue on a trade date basis when the relevant contracts are executed.

Underwriting, sub-underwriting, placing and sub-placing commission income are recognised in accordance with the terms of underlying agreements when the relevant significant acts have been completed.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Income taxes *(Continued)*

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Payment to defined contribution retirement benefit plans/the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

(n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share-based payments reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

(o) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- interests in subsidiaries and associates

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Impairment of assets (other than financial assets) *(Continued)*

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, 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 or cash generating unit.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(s) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Equity securities listed in Hong Kong classified as financial assets at FVTPL (Note 22)
- Debt instruments listed in and outside Hong Kong classified as debt instruments at FVOCI (Note 21) and debt instruments at FVTPL (Note 22)
- Unlisted investment funds classified as equity instruments at FVOCI (Note 20)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Measurement of expected credit losses allowance

The management estimates the amount of loss allowance for ECLs on financial assets at amortised cost and debt instruments at FVOCI based on the credit risk of the respective financial instrument. The loss allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument and collateral value. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty about future economic conditions which have an adverse effect on debtors' business, debtors' creditworthiness, the payment delinquency or default in interest, principal payments or fair values of collaterals. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Impairment of interests in associates

The Group regularly review the recoverable amount of the interests in associates in respect of Jun Yang Energy Holdings Limited ("Jun Yang Energy"). For the purpose of impairment review, it requires an estimation of the recoverable amount which is based on the value in use calculation derived by discounted future cash flow model prepared by the management. The value in use calculation requires the Group to estimate the expected cash flows in the coming five years by a suitable budgeted sales, gross margin, growth rate; and cash flows beyond five years are extrapolated by a suitable terminal discount rate. As at 31 December 2018, the carrying amount of interests in associates in respect of Jun Yang Energy amounted to approximately HK$455,000 (2017: HK$37,222,000).

Fair value of financial instruments

When the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as the share price of the underlying investment, correlation, volatility and transactions of shares. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the consolidated statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Fair value of financial instruments *(Continued)*

HKFRS 13 requires disclosures relating to fair value measurements using a three-tier fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the Company performs sensitivity analysis.

6. REVENUE

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

	2018 **HK$'000**	2017 HK$'000
Interest income from money lending	**20,340**	3,511
Interest income from bond investments	**13,877**	–
Income from financial services		
– Commission income from securities brokerage	**1,138**	6,397
– Commission income from placing and underwriting	**51**	2,362
– Corporate finance advisory services	**2,050**	–
– Interest income from clients	**4,157**	23,275
	41,613	35,545

An analysis of the Group's revenue for the year under HKFRS 15 is as follows:

	2018 **HK$'000**	2017 HK$'000
Income from financial services		
– Commission income from securities brokerage	**1,138**	6,397
– Commission income from placing and underwriting	**51**	2,362
– Corporate finance advisory services	**2,050**	–
	3,239	8,759

7. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance.

The Group reportable segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Financial services segment – Provision of financial services including securities brokerage, placing and underwriting, and corporate finance advisory services in Hong Kong.
- Money lending segment – Provision of loan financing in Hong Kong; and
- Assets investment segment – Investments in debt securities earning fixed interest income, as well as investments in listed and unlisted equity securities, options and investment funds earning variable returns and gains.

Segment revenues and results

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

For the year ended 31 December 2018

	Financial services segment HK$'000	Money lending segment HK$'000	Assets investment segment HK$'000	Total HK$'000
Revenue				
– Revenue from external customers	7,396	20,340	13,877	41,613
Other income, gains and losses				
– Dividend income from listed equity securities and unlisted investment funds	–	–	14,197	14,197
– Fair value changes of listed equity securities	–	–	(325,524)	(325,524)
	7,396	20,340	(297,450)	(269,714)
Results				
Segment results	(24,072)	11,971	(345,410)	(357,511)
Unallocated corporate income				1,163
Unallocated corporate expenses				(44,869)
Finance costs				(6,917)
Share of results of associates				(28,430)
Loss before tax				(436,564)

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2017

	Financial services segment HK$'000	Money lending segment HK$'000	Assets investment segment HK$'000	Total HK$'000
Revenue				
– Revenue from external customers	32,034	3,511	–	35,545
Other income, gains and losses				
– Dividend income from listed equity securities and investment funds	–	–	60,645	60,645
– Fair value changes of listed equity securities	–	–	(763,792)	(763,792)
	32,034	3,511	(703,147)	(667,602)
Results				
Segment results	(21,099)	2,054	(853,998)	(873,043)
Unallocated corporate income				855
Unallocated corporate expenses				(11,493)
Finance costs				(17,844)
Share of results of associates				(20,906)
Loss before tax				(922,431)

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2018 (2017: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit (loss) from each segment without allocation of directors' emoluments, certain other income, gains and losses and certain administrative expenses, finance costs and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2018 **HK$'000**	2017 HK$'000
Segment assets		
Financial services segment	**89,687**	53,393
Money lending segment	**404,297**	31,114
Assets investment segment	**916,847**	1,358,152
Total segment assets	**1,410,831**	1,442,659
Unallocated		
– Bank balances and cash	**127,138**	658,249
– Other unallocated assets	**6,421**	79,501
Consolidated total assets	**1,544,390**	2,180,409
Segment liabilities		
Financial services segment	**51,937**	24,954
Money lending segment	**818**	382
Assets investment segment	**8,417**	2,728
Total segment liabilities	**61,172**	28,064
Unallocated	**37,828**	138,136
Consolidated total liabilities	**99,000**	166,200

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

- all assets are allocated to operating segments other than other assets, bank balances and cash, amounts due from associates and interests in associates which are not allocated to segment assets; and
- all liabilities are allocated to operating segments other than borrowings and tax payable which are not allocated to segment liabilities.

7. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2018

	Financial services segment HK$'000	Money lending segment HK$'000	Assets investment segment HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	5,900	23	29	4	5,956
Fair value changes of debt instruments at FVOCI	–	–	(4,309)	–	(4,309)
Fair value changes of debt instruments at FVTPL	–	–	(254)	–	(254)
Fair value changes of equity instruments at FVOCI	–	–	(72,382)	–	(72,382)
Impairment loss on amounts due from associates	–	–	–	(37,335)	(37,335)
Interest income	4,157	20,340	13,877	1,163	39,537
Interest expenses	–	–	–	(6,917)	(6,917)
Income tax expense	–	(810)	–	–	(810)
Depreciation of property, plant and equipment	(1,942)	(61)	(2,153)	(113)	(4,269)
Impairment loss on trade and other receivables	(2,492)	–	(903)	(761)	(4,156)
Recovery of impairment loss on trade receivables	18	–	–	–	18

7. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2017

	Financial services segment HK$'000	Money lending segment HK$'000	Assets investment segment HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	793	6	2,521	854	4,174
Interest income	23,275	3,511	–	855	27,641
Interest expenses	–	–	–	(17,844)	(17,844)
Income tax expense	(4)	(399)	–	(47)	(450)
Depreciation of property, plant and equipment	(926)	(60)	(1,918)	(361)	(3,265)
Impairment loss on available-for-sale investments	–	–	(141,126)	–	(141,126)
Impairment loss on trade receivables	(29,904)	–	–	–	(29,904)
Recovery of impairment loss on trade receivables	876	–	–	–	876

Note: Non-current assets excluded interests in associates and financial instruments.

Geographical information

The Group's revenue from external customers and non-current assets are all located in Hong Kong as all the customers and the assets are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

There was no customer that contributed to 10% or more of the Group's revenue for the year ended 31 December 2018. For the year ended 31 December 2017, revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2017 HK$'000
Customer A (revenue from financial services business and money lending business)	11,034
Customer B (revenue from financial services business)	4,494
Customer C (revenue from financial services business)	3,601

7. SEGMENT INFORMATION *(Continued)*

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by timing over revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Financial services segment		Money lending segment		Assets investment segment		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Timing of revenue recognition under HKFRS 15								
– At a point in time	**1,539**	8,759	**–**	–	**–**	–	**1,539**	8,759
– Over time	**1,700**	–	**–**	–	**–**	–	**1,700**	–
	3,239	8,759	**–**	–	**–**	–	**3,239**	8,759

8. OTHER INCOME, GAINS AND LOSSES

	2018	2017
	HK$'000	HK$'000
Interest income	**1,163**	855
Sundry income	**257**	7,983
Dividend income from equity instruments at FVOCI	**1,449**	–
Dividend income from available-for-sale investments	**–**	54,857
Dividend income from equity instruments at FVTPL	**12,748**	–
Dividend income from held-for-trading investments	**–**	5,788
Fair value changes of debt instruments at FVTPL	**(254)**	–
Fair value changes of equity instruments at FVTPL	**(325,524)**	–
Fair value changes of held-for-trading investments	**–**	(763,792)
Gain on disposal of available-for-sale investments	**–**	41,084
Loss on disposal of debt instruments at FVOCI	**(732)**	–
Impairment loss on available-for-sale investments	**–**	(141,126)
Impairment loss on amounts due from associates	**(37,335)**	–
Gain (loss) on disposal of subsidiaries	**32**	(4,326)
(Loss) gain on deregistration of a subsidiary	**(107)**	1,028
Loss on disposal of associates	**–**	(2,344)
	(348,303)	(799,993)

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on loan notes	**6,917**	17,736
Interest on other borrowings	**–**	108
	6,917	17,844

10. LOSS BEFORE TAX

	2018 HK$'000	2017 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments, excluding equity-settled share- based payments (Note 12)	**8,782**	9,895
Other staff costs	**16,529**	23,010
Other staff retirement benefits scheme contributions	**226**	454
Equity-settled share-based payments (including directors' equity-settled share-based payments)	**555**	15,089
	26,092	48,448
Depreciation of property, plant and equipment	**4,269**	3,265
Loss on disposal of property, plant and equipment	**2,370**	1,938
Auditor's remuneration	**1,758**	1,630
Operating lease rentals in respect of land and buildings	**3,764**	2,222
Exchange (gains) losses, net	**(671)**	223
Impairment loss on trade and other receivables	**4,156**	29,904
Impairment loss on amounts due from associates	**37,335**	–
Recovery of impairment loss on trade receivables	**(18)**	(876)

11. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax:		
– Hong Kong Profits Tax	**810**	399
– Under-provision in prior years	**–**	51
Tax expense for the year	**810**	450

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017; and at 8.25% on the first HK$2,000,000 of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK$2,000,000 for the year ended 31 December 2018.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 HK$'000	2017 HK$'000
Loss before tax	**(436,564)**	(922,431)
Tax at the Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**(72,033)**	(152,201)
Tax effect of expenses not deductible for tax purpose	**52,345**	147,961
Tax effect of income not taxable for tax purpose	**(8,291)**	(9,819)
Tax effect of share of results of associates	**4,691**	3,449
Under-provision in prior years	**–**	51
Tax effect of tax losses not recognised	**24,343**	11,129
Tax effect of deductible temporary difference not recognised	**(60)**	(90)
Tax concession	**(185)**	(30)
Income tax expense	**810**	450

At the end of the reporting period, the Group has unused tax losses of approximately HK$757,985,000 (2017: HK$610,448,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams. The losses may be carried indefinitely.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

For the year ended 31 December 2018

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000 (Note a)	Contributions to retirement benefits scheme HK$'000	Equity-settled share-based payments HK$'000 (Note b)	Total emoluments HK$'000
Executive Directors						
Dr. Tang Sing Hing, Kenny (Retired with effect from 1 June 2018)	–	–	–	–	–	–
Mr. Sit Sai Hung, Billy	–	775	129	18	–	922
Mr. Wu William Wai Leung (resigned with effect from 2 January 2019)	–	6,000	200	20	555	6,775
Non-executive Director						
Mr. Choi Chun Chung, Danny (re-designated as an executive Director with effect from 2 January 2019)	1,200	–	–	20	–	1,220
Independent non-executive Directors						
Mr. Chu Hau Lim	180	–	–	–	–	180
Mr. Wong Kun To	120	–	–	–	–	120
Ms. Lim Xue Ling, Charlene	120	–	–	–	–	120
	1,620	6,775	329	58	555	9,337

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2017

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000 (Note a)	Contributions to retirement benefits scheme HK$'000	Equity-settled share-based payments HK$'000 (Note b)	Total emoluments HK$'000
Executive Directors						
Mr. Kwok Sze Yiu, Gordon (Resigned with effect from 20 October 2017)	193	4,350	–	–	2,259	6,802
Dr. Tang Sing Hing, Kenny	–	2,870	429	16	2,259	5,574
Mr. Ng Tang (Resigned with effect from 31 August 2017)	240	–	–	–	2,259	2,499
Mr. Sit Sai Hung, Billy (Appointed on 31 August 2017)	–	259	–	3	–	262
Mr. Wu William Wai Leung (Appointed on 3 November 2017)	–	967	–	–	–	967
Non-executive Director						
Mr. Choi Chun Chung, Danny (Appointed on 3 November 2017)	193	–	–	–	–	193
Independent non-executive Directors						
Ms. Yiu Wai Yee (Resigned with effect from 29 September 2017)	90	–	–	–	–	90
Mr. Chan Chi Yuen (Resigned with effect from 20 October 2017)	96	–	–	–	–	96
Mr. Chik Chi Man (Resigned with effect from 20 October 2017)	96	–	–	–	–	96
Mr. Chu Hau Lim (Appointed on 29 September 2017)	45	–	–	–	–	45
Mr. Wong Kun To (Appointed on 20 October 2017)	24	–	–	–	–	24
Ms. Lim Xue Ling, Charlene (Appointed on 20 October 2017)	24	–	–	–	–	24
	1,001	8,446	429	19	6,777	16,672

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The executive directors' and chief executive's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as Directors.

Notes:

(a) Performance bonus is based on the Group's operation performance.

(b) During the year, share options were granted to one former Director in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 31.

During the year ended 31 December 2018, no emoluments were paid by the Group to the Directors or chief executives of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

13. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2017: three) were Directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining three (2017: two) individuals were as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**6,642**	3,434
Performance bonus	**650**	291
Equity-settled share-based payments	**–**	3,248
Contributions to retirement benefits scheme	**44**	36
	7,336	7,009

Their emoluments were within the following bands:

	2018 **No. of** **individuals**	2017 No. of individuals
HK$1,000,001 – HK$1,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**1**	–
HK$4,000,001 – HK$4,500,000	**–**	1

13. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The emoluments paid or payable to members of senior management were within the following bands:

	2018 No. of individuals	2017 No. of individuals
HK$2,500,001 – HK$3,000,000	**–**	2
HK$3,000,001 – HK$3,500,000	**1**	–

During the year ended 31 December 2018, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

15. LOSS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(437,330)**	(922,661)

	2018 '000	2017 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,073,928**	2,914,265

The weighted average number of ordinary shares for the year ended 31 December 2018 for the purpose of basic loss per share has been adjusted to reflect the shares cancellation completed on 17 December 2018.

The computation of diluted loss per share for the year ended 31 December 2018 and 2017 did not assume the exercise of outstanding share options of the Company since the assumed exercise would result in a decrease in loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Building HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2017	2,818	56,478	4,631	435	799	65,161
Exchange adjustments	–	–	(7)	–	–	(7)
Additions	3,457	–	612	105	–	4,174
Disposals/written off	(2,796)	–	(394)	(427)	(799)	(4,416)
At 31 December 2017 and 1 January 2018	3,479	56,478	4,842	113	–	64,912
Additions	3,944	–	1,507	505	–	5,956
Disposals/written off	(3,110)	–	(426)	(69)	–	(3,605)
At 31 December 2018	4,313	56,478	5,923	549	–	67,263
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2017	1,600	–	2,286	26	333	4,245
Exchange adjustments	–	–	2	–	–	2
Provided for the year	793	1,491	874	27	80	3,265
Eliminated on disposals/written off	(1,830)	–	(197)	(38)	(413)	(2,478)
At 31 December 2017 and 1 January 2018	563	1,491	2,965	15	–	5,034
Provided for the year	1,484	1,883	824	78	–	4,269
Eliminated on disposals/written off	(750)	–	(201)	(13)	–	(964)
At 31 December 2018	1,297	3,374	3,588	80	–	8,339
CARRYING AMOUNTS						
At 31 December 2018	**3,016**	**53,104**	**2,335**	**469**	**–**	**58,924**
At 31 December 2017	2,916	54,987	1,877	98	–	59,878

17. GOODWILL

	HK$'000
COST	
At 1 January 2017, 31 December 2017 and 31 December 2018	16,221
IMPAIRMENT	
At 1 January 2017, 31 December 2017 and 31 December 2018	15,413
CARRYING AMOUNTS	
At 31 December 2017 and 2018	808

Impairment testing on goodwill

For the purposes of impairment testing, the remaining goodwill of approximately HK$808,000 has been allocated to two CGUs, representing (i) the operating activities of Power Securities Company Limited ("Power Securities") which is engaged in the regulated activity in connection with dealing in securities and (ii) the operating activity of E Finance Limited ("E Finance") which is engaged in the money lending business.

	2018 **HK$'000**	2017 HK$'000
Power Securities – financial services business	**672**	672
E Finance – money lending business	**136**	136
	808	808

The recoverable amount of the CGUs were determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by the management. Cash flows beyond five-year period are extrapolated using growth rate of 3% (2017: 3%) for Power Securities and 3% (2017: 3%) for E Finance. The cash flow projections of Power Securities and E Finance are discounted at pre-tax discount rates of 12.75% (2017: 12.40%) and 13.77% (2017: 12.43%) per annum, respectively, which reflects the specific risks relating to these CGUs.

The key assumptions for the value-in-use calculation are those regarding the discount rates, the budgeted revenue and budgeted expenses during the forecasting periods, which are determined by the management based on the past performance and management's expectations for the market development.

18. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Cost of investment in associates, unlisted	**48,463**	48,463
Share of post-acquisition losses and other comprehensive expense	**(48,008)**	(11,241)
	455	37,222

At 31 December 2018, the Group had interest in the following associates:

Name of entity	Place of establishment/ incorporation	Principal place of operation	Proportion of ownership interest held by the Group 2018	2017	Proportion of voting rights held by the Group 2018	2017	Principal activity
Jun Yang Energy Holdings Limited	Cayman Islands	the People's Republic of China ("PRC")	**47.5%**	47.5%	**47.5%**	47.5%	Engaged in operation of amorphous silicon thin film solar photovoltaic power station

18. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

Summarised financial information in respect of the material associates is set out below. The associates are accounted for using the equity method in the consolidated financial statements.

Jun Yang Energy

	2018 **HK$'000**	2017 HK$'000
Current assets	**122,398**	158,795
Non-current assets	**431,795**	530,472
Current liabilities	**(512,419)**	(570,090)
Non-current liabilities	**(40,815)**	(40,815)
Net assets	**959**	78,362
Group's share of the net assets of the associates	**455**	37,222
Revenue	**75,990**	84,719
Loss for the year	**(59,853)**	(44,524)
Other comprehensive (expense) income for the year	**(17,550)**	20,859
Total comprehensive expense for the year	**(77,403)**	(23,665)
Dividends received from the associates during the year	**–**	–

19. AVAILABLE-FOR-SALE INVESTMENTS

	2018 **HK$'000**	2017 HK$'000
Equity securities listed in Hong Kong, at fair value (Note (i))	–	13,325
Unlisted investment funds, at cost (Note (ii))	–	313,017
	–	326,342

Notes:

(i) The Group recognised fair value losses of approximately HK$68,402,000 relating to listed securities classified as available-for-sale investments held for the year ended 31 December 2017. As the decrease in fair value over the cost is considered to be significant, it is recognised as impairment loss in the profit or loss.

(ii) The unlisted investment funds represents the investments in private funds. The unlisted investments funds are held for an identified long term purpose. The unlisted investment funds are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the Directors are of the opinion that fair values cannot be measured reliably. During the year ended 31 December 2017, impairment loss of approximately HK$72,724,000 was recognised in profit or loss as there is objective evidence that the cost of investments cannot be fully recoverable. The Group disposed of certain unlisted equity securities with carrying amount of approximately HK$39,468,000 which had been carried at cost less impairment before disposal during 2017. A gain on disposal of approximately HK$41,084,000 has been recognised in profit or loss for the year ended 31 December 2017.

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK$'000	2017 HK$'000
Unlisted investment funds (Note)	**172,692**	–

Note:

As the above equity instruments are not held for trading purpose, the Group has designated these investments as equity instruments at FVOCI at the date of initial application of HKFRS 9.

In the prior year, the Group had designated equity instruments as available-for-sale where management intended to hold them for the medium to long-term.

During the year ended 31 December 2018, the Group disposed of certain equity securities with carrying amount of approximately HK$34,600,000, the related balance in the investment revaluation reserve in amount of approximately HK$78,408,000 was reclassified to accumulated losses. In addition, dividend income of approximately HK$1,449,000 (2017: HK$54,857,000) was recognised from the unlisted investment funds during the year ended 31 December 2018.

21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK$'000	2017 HK$'000
Listed bond investments	**343,378**	–
Analysed for reporting purpose as:		
Current assets	**159,197**	–
Non-current assets	**184,181**	–
	343,378	–

The Group holds the debt instruments for the purpose of collecting the interests of the bonds and sell the bonds under the favourable market environment.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (2017: HELD-FOR-TRADING INVESTMENTS)

	2018 HK$'000	2017 HK$'000
Equity securities listed in Hong Kong (Note (a))	**221,735**	717,292
Equity securities listed outside Hong Kong (Note (a))	**–**	36,540
Unlisted investment funds (Note (b))	**–**	11,901
Listed bond investments (Note (a))	**26,269**	–
	248,004	765,733
Analysed for reporting purpose as:		
Current assets	**221,735**	765,733
Non-current assets	**26,269**	–
	248,004	765,733

Notes:

(a) The fair value of the listed equity securities and listed debt securities were determined based on the quoted market prices in an active market, except for certain listed equity securities, the trading of which on the Stock Exchange has been suspended by the Securities and Futures Commission (the "Suspended Shares"), the market value of the Suspended Shares was determined with reference to the valuations performed by an independent professional valuer.

(b) The fair value of unlisted investment funds was determined with reference to the values of the underlying assets of the funds which are provided by the counterparty financial institutions.

The realised losses and unrealised losses on the financial assets at FVTPL (2017: held-for-trading investments) for the year ended 31 December 2018 are approximately HK$106,712,000 (2017: HK$316,102,000) and HK$219,066,000 (2017: HK$447,690,000) respectively. The aggregate of which is recorded as fair value changes of financial assets at FVTPL (2017: held-for-trading investments) in the consolidated statement of profit or loss and other comprehensive income.

For financial assets in connection with structured products with the maturity more than one year, they are classified as non-current assets as they are not expected to be settled within one year.

23. LOANS AND INTEREST RECEIVABLES

	2018 HK$'000	2017 HK$'000
Fixed-rate loans receivables	**402,207**	27,560
Accrued interest receivables	**2,642**	1,538
	404,849	29,098
Analysed for reporting purpose as:		
Current assets	**403,492**	29,098
Non-current assets	**1,357**	–
	404,849	29,098

As at 31 December 2018, loans and interest receivables of approximately HK$359,668,000 (2017: HK$29,098,000) were secured by assets under legal charges, while remaining loans and interest receivables of approximately HK$45,181,000 (2017: Nil) were guaranteed by certain independent third parties. The interest rates on all loans receivables are fixed ranging from 7% to 21.2% (2017: 12%) per annum and loans receivables are due within 1 to 58 months.

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and imposes credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

The Directors consider that the fair values of loans and interest receivables are not materially different from their carrying amounts.

A maturity profile of the loans and interest receivables based on the maturity date at the end of reporting period is as follows:

	2018 HK$'000	2017 HK$'000
Within 1year	**403,492**	29,098
1 to 5 years	**1,357**	–
	404,849	29,098

23. LOANS AND INTEREST RECEIVABLES *(Continued)*

Included in loans and interest receivables with the following ageing analysis, based on due dates, as of the end of reporting period.

	2018 **HK$'000**	2017 HK$'000
Current	**404,560**	29,098
Less than 1 month past due	**248**	–
1 to 3 months past due	**41**	–
	404,849	29,098

The management believes that the impairment allowance is immaterial in respect of loans and interest receivables as approximately 88.84% of loans and interest receivables were fully secured by collaterals.

As at 31 December 2018, the collaterals for those secured loans are landed properties in Hong Kong and shares of certain listed companies (2017: promissory notes of a listed company).

24. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates of approximately HK$37,335,000 (2017: HK$37,166,000) at 31 December 2018 are of non-trade nature, unsecured, interest-free and repayable on demand.

The associates were making significant losses in prior years. In the opinion of the Directors, the recoverability of the amounts due from associates is low, the impairment allowance for the balance of approximately HK$37,335,000 was recognised in the consolidated statement of profit or loss for the current year.

Stage analysis on allowance for impairment loss on amounts due from associates:

	12-month ECLs (Stage 1) HK$'000	**Lifetime ECLs not credit-impaired (Stage 2)** HK$'000	**Lifetime ECLs credit-impaired (Stage 3)** HK$'000	**Total** HK$'000
As at 31 December 2018	–	–	37,335	37,335

25. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables from:		
Financial services operation		
– Cash clients (Note (a))	**1,443**	853
– Margin clients (Note (b))	**65,619**	47,328
– Clearing house (Note (a))	**279**	12,936
Less: provision for impairment loss on trade receivables	**(32,675)**	(30,201)
	34,666	30,916
Other receivables	**4,385**	7,235
Total trade and other receivables	**39,051**	38,151

Notes:

(a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are one or two days after the respective trade date.

No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis does not give additional value on view of nature of these cash clients and clearing house.

Receivables that were past due but not impaired represent unsettled trade transacted on the last two days prior to the end of reporting period and also relates to a wide range of independent clients for whom there are no recent history of default.

An analysis of changes in the corresponding ECL allowances is as follows:

	12-month ECLs (Stage 1) HK$'000	Lifetime ECLs not credit-impaired (Stage 2) HK$'000	Lifetime ECLs credit-impaired (Stage 3) HK$'000	Impairment allowance under HKAS 39 HK$'000	Total HK$'000
As at 1 January 2018	–	–	–	297	297
Restated on adoption of HKFRS 9	–	297	–	(297)	–
Recovery of impairment loss during the year	–	(18)	–	–	(18)
As at 31 December 2018	–	279	–	–	279

25. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The movements in the impairment of the advance to customers in cash client financing are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**297**	315
Recovery of impairment loss previously recognised	**(18)**	(18)
At 31 December	**279**	297

(b) Margin clients are required to pledge securities as collaterals to the Group in order to obtain the credit facilities for securities trading and bear interests at commercial rates. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. The margin ratio is reviewed and determined periodically. As at 31 December 2018, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK$164,681,000 (2017: HK$34,687,000).

No ageing analysis is disclosed as, in the opinion of the Directors, the ageing analysis is not meaningful in the view of the revolving nature of securities business.

An analysis of changes in corresponding ECL allowances is as follows:

	12-month ECLs (Stage 1) HK$'000	**Lifetime ECLs not credit-impaired (Stage 2)** HK$'000	**Lifetime ECLs credit-impaired (Stage 3)** HK$'000	**Impairment allowance under HKAS 39** HK$'000	**Total** HK$'000
As at 1 January 2018	–	–	–	29,904	29,904
Restated on adoption of HKFRS 9	–	29,904	–	(29,904)	–
Charged to profit or loss during the year	–	2,492	–	–	2,492
As at 31 December 2018	–	32,396	–	–	32,396

The movements in the impairment of the advance to customers in margin financing are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**29,904**	858
Impairment recognised	**2,492**	29,904
Recovery of impairment loss previously recognised	**–**	(858)
At 31 December	**32,396**	29,904

The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk.

26. BANK TRUST ACCOUNT BALANCES

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as bank trust account balances under the current assets section in the consolidated statement of financial position and recognised the corresponding payable to the respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

27. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.01% to 1.5% (2017: 0.01% to 1.4%) per annum and have original maturity of three months or less.

28. TRADE AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables from:		
Financial services operation		
– Cash Clients (Note (a) and (b))	**7,824**	7,240
– Margin Clients (Note (a) and (b))	**41,005**	15,355
– Clearing house (Note (a) and (b))	**646**	242
	49,475	22,837
Other payables	**7,290**	1,214
Accruals	**4,835**	4,749
Total trade and other payables	**61,600**	28,800

Notes:

(a) The majority of the trade payables are repayable on demand except where certain balances payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

(b) The settlement terms of trade payables arising from the ordinary course of business of dealing in securities from clients and clearing house are two days after trade date.

(c) No ageing analysis is disclosed as, in the opinion of the Directors, the ageing analysis is not meaningful in view of the nature of these businesses.

29. BORROWINGS

	2018 HK$'000	2017 HK$'000
Loan notes, unsecured	**37,400**	137,400
Carrying amount repayable:		
Within one year	**–**	100,000
In more than one year but not more than two years	**37,400**	37,400
	37,400	137,400

The loan notes are unsecured and carry interest at 7% (2017: 7% to 8%) per annum. The loan notes were denominated in HK$.

30. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2017, 31 December 2017 and 31 December 2018	30,000,000,000	300,000

	Number of shares	HK$'000
Issued and fully paid:		
At 1 January 2017	2,911,712,734	29,117
Exercise of share options (Note (a))	174,660,000	1,747
At 31 December 2017 and 1 January 2018	3,086,372,734	30,864
Shares repurchased and cancelled (Note (b))	(302,820,000)	(3,028)
At 31 December 2018	2,783,552,734	27,836

30. SHARE CAPITAL *(Continued)*

Notes:

The movements of the ordinary share capital for the years ended 31 December 2017 and 2018 were as follows:

(a) On 22 December 2017 and 29 December 2017, 58,220,000 and 116,440,000 share options were exercised respectively, resulting in the issue of 174,660,000 ordinary shares at HK$0.17 per share.

All shares issued during both years rank pari passu in all respects with other shares in issue.

(b) During the year ended 31 December 2018, the Company repurchased and cancelled its own shares on the Stock Exchange as follows:

Months of repurchase	Number of ordinary shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
For the year ended 31 December 2018				
November 2018	192,000,000	0.152	0.141	28,012
December 2018	110,820,000	0.142	0.133	15,383
	302,820,000			43,395

During the year ended 31 December 2018, 302,820,000 (2017: Nil) ordinary shares were repurchased during November and December 2018 and all the shares were cancelled on 17 December 2018.

31. SHARE OPTION SCHEME

(a) The Old Share Option Scheme

The Company's share option scheme (the "Old Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting of the Company held on 17 November 2003.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Old Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. No options may be granted under the Old Share Option scheme of the Company if this will result in this limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Old Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 17 November 2003 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Old Share Option Scheme provided that options lapsed in accordance with the terms of the Old Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

The Old Share Option Scheme will remain in force for a period of 10 years commencing from 17 November 2003. Options complying the provisions of the Listing Rules which are granted during the duration of the Old Share Option Scheme and remain unexercised immediately prior to the end of the 10 year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the Old Share Option Scheme.

The subscription price for shares under the Old Share Option Scheme shall be a price determined by the Board, but shall not be lower than the highest of (i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date on which the Board approves the making of the offer for the grant of options (the "Old Date of Grant"), which must be a trading day; (ii) the average closing price of shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the Old Date of Grant; and (iii) the nominal value of a share. The time of acceptance of an offer for the grant of options shall not be later than 28 days from the Old Date of Grant.

The Company has adopted the New Share Option Scheme (the "New Share Option Scheme") on 4 June 2013.

31. SHARE OPTION SCHEME *(Continued)*

(a) The Old Share Option Scheme *(Continued)*

The following table discloses the movements of the share options granted under the Old Share Option Scheme during the year ended 31 December 2018:

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2018
Employees							
18/4/2008	18/4/2008 to 17/4/2018	162.80	10,591	–	–	(10,591)	–

The following table discloses the movements of the share options granted under the Old Share Option Scheme during the year ended 31 December 2017:

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2017
Employees							
9/10/2007	9/10/2007 to 8/10/2017	280.40	201,176	–	–	(201,176)	–
18/4/2008	18/4/2008 to 17/4/2018	162.80	10,591	–	–	–	10,591
Total			211,767	–	–	(201,176)	10,591
Exercisable at the end of the year							10,591
Weighted average exercise price							HK$162.80

31. SHARE OPTION SCHEME *(Continued)*

(b) The New Share Option Scheme

The Company's new share option scheme (the "New Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the Company's shareholders at the annual general meeting of the Company held on 4 June 2013.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of shares in issue on 4 June 2013 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the New Share Option Scheme provided that options lapsed in accordance with the terms of the Old Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

The New Share Option Scheme will remain in force for a period of 10 years commencing from 4 June 2013. Options complying the provisions of the Listing Rules which are granted during the duration of the New Share Option Scheme and remain unexercised immediately prior to the end of the 10 year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the New Share Option Scheme.

The subscription price for shares under the New Share Option Scheme shall be a price determined by the Board, but shall not be lower than the highest of (i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date on which the Board approves the making of the offer for the grant of options (the "New Date of Grant"), which must be a trading day; (ii) the average closing price of shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the New Date of Grant; and (iii) the nominal value of a share. The time of acceptance if an offer for the grant of options shall not be later than 21 days from the New Date of Grant.

31. SHARE OPTION SCHEME *(Continued)*

(b) The New Share Option Scheme *(Continued)*

The following table discloses the movements of the share options granted under the New Share Option Scheme during the year ended 31 December 2018:

Name	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2018
Directors								
Mr. Wu William Wai Leung*	30/10/2018	3/11/2018 to 2/11/2020	0.113	–	10,000,000	–	–	10,000,000
		3/11/2019 to 2/11/2021	0.113	–	10,000,000	–	–	10,000,000
		3/11/2020 to 2/11/2022	0.113	–	9,000,000	–	–	9,000,000
Directors of an associate company	10/4/2017	10/4/2017 to 9/4/2019	0.142	38,860,000	–	–	–	38,860,000
Total				38,860,000	29,000,000	–	–	67,860,000
Exercisable at the end of the year								48,860,000
Weighted average exercise price								HK$0.1295

* Mr. Wu William Wai Leung resigned as an executive Director with effect from 2 January 2019.

31. SHARE OPTION SCHEME *(Continued)*

(b) The New Share Option Scheme *(Continued)*

The following table discloses the movements of the share options granted under the New Share Option Scheme during the year ended 31 December 2017:

Name	Date of grant	Exercise period	Exercise price per share HK$ (Note 27(b))	Number of share options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2017
Directors								
Mr. Kwok Sze Yiu, Gordon#	24/1/2017	24/1/2017 to 23/1/2019	0.17	–	29,110,000	(29,110,000)	–	–
Dr. Tang Sing Hing, Kenny	24/1/2017	24/1/2017 to 23/1/2019	0.17	–	29,110,000	(29,110,000)	–	–
Mr. Ng Tang#	24/1/2017	24/1/2017 to 23/1/2019	0.17	–	29,110,000	–	(29,110,000)	–
Sub-total				–	87,330,000	(58,220,000)	(29,110,000)	–
Directors of an associate company	10/4/2017	10/4/2017 to 9/4/2019	0.142	–	38,860,000	–	–	38,860,000
Employees	14/4/2015	14/7/2015 to 13/7/2017	2.97	24,303,125	–	–	(24,303,125)	–
Employees	24/1/2017	24/1/2017 to 23/1/2019	0.17	–	116,440,000	(116,440,000)	–	–
Total				24,303,125	242,630,000	(174,660,000)	(53,413,125)	38,860,000
Exercisable at the end of the year								38,860,000
Weighted average exercise price								HK$0.142

Mr. Kwok Sze Yiu, Gordon resigned as an executive Director with effect from 20 October 2017. Mr. Ng Tang resigned as an executive Director with effect from 31 August 2017.

31. SHARE OPTION SCHEME *(Continued)*

(b) The New Share Option Scheme *(Continued)*

The exercise price of share options outstanding at the end of the year ranged between HK$0.113 and HK$0.142 (2017: HK$0.142 and HK$162.8) and their weighted average remaining contractual life was 1.39 years (2017: 1.27 year).

Of the total number of share options outstanding at the end of the year, 48,860,000 options (2017: 38,870,591) had vested and were exercisable at the end of the year.

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2017 was HK$0.17.

The weighted average fair value of each option granted during the year was HK$0.051 (2017: HK$0.062).

The fair value of 203,770,000 share options granted under the New Share Option Scheme on 24 January 2017 was determined by the Directors to be approximately HK$6,777,000 and by the employees to be approximately HK$6,497,000 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs into the model included grant date share price of HK$0.17, exercise price of HK$0.17 per share, expected volatility of 97.08%, expected option life of 2 years, no expected dividend and estimated risk-free interest rate of 0.981%.

The fair value of 38,860,000 share options granted under the New Share Option Scheme on 10 April 2017 was determined by the directors of an associate company to be approximately HK$1,815,000 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs into the model included grant date share price of HK$0.142, exercise price of HK$0.142 per share, expected volatility of 97.68%, expected option life of 2 years, no expected dividend and estimated risk-free interest rate of 0.938%.

The fair value of 29,000,000 share options granted under the New Share Option Scheme on 30 October 2018 was determined by the Director to be approximately HK$1,489,000 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs into the model included grant date share price of HK$0.103, exercise price of HK$0.113 per share, expected volatility of ranging from 79.98% to 89.42%, expected option life of ranging from 2.01 years to 4.01 years, no expected dividend and estimated risk-free interest rate of ranging from 2.09% to 2.22%.

The risk-free rate was based on market yield from Hong Kong Exchange Fund Note with maturity matching the contractual option life of the share options as at the valuation date. The expected volatilities of the share prices were estimated by the best available average annualised standard deviations of the continuously compounded rates of return on the Company's share prices since the date of business transformation of the Group.

For the year ended 31 December 2018, the Group recognised equity-settled share-based payments expenses in aggregate of approximately HK$555,000 (2017: HK$15,089,000) in respect of the New Share Option Scheme.

32. RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Scheme for all qualifying employees including Directors in Hong Kong. The assets of the MPF Scheme are held separately from those of the Groups in funds under the control of independent trustees. Both the Group and the employees contribute a fixed percentage to the MPF Scheme based on their monthly salary in accordance with government regulations. The MPF Scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

During the year ended 31 December 2018, the total amount contributed by the Group and charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$284,000 (2017: HK$473,000).

33. INTERESTS IN AN UNCONSOLIDATED STRUCTURED ENTITY

During the year ended 31 December 2017, the Group invested in a structured entity, Heemin Capital Global Enhanced Yield Bond Fund, including investment fund with primary objectives for capital appreciation, investment income or selling in the near future for profit. Pursuant to subscription agreement or equivalent documents, the beneficial interests held by the Group in this structured entity are in the form of participating shares or interests which primarily provide the Group with the share of returns from the structured entity but not any decision making power nor any voting right to involve in and control the daily operation.

This structured entity is set up and managed by respective investment fund manager, Heemin Capital Investment Management Limited, a wholly-owned subsidiary of the Group, who has the power and authority to manage and make decisions for the structured entity.

Among that investment funds held by the Group where the Group directly involves as investment manager, the Group regularly assesses and determines whether:

- the Group is acting as an agent or a principal in these investment funds;
- substantive removal rights held by other parties may remove the Group as an investment fund manager; and
- the investment interests held together with its remuneration from servicing and managing these structured entities create significant exposure to variability of returns in these investment funds.

In the opinion of the Directors, the variable returns that the Group to these structured entities is not significant and the Group is primarily acting as an agent and subject to substantive removal right held by other parties who may remove the Group as an investment manager. Therefore, the Group did not consolidate such structured entity.

The Group classified such investment fund as available-for-sale investments as appropriate in Note 19 as at 31 December 2017. During the year ended 31 December 2018, the Group disposed of its entire interests in Heemin Capital Investment Management Limited to an independent third party and ceased to be the investment fund manager of such structure entity.

34. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 24 May 2018, the Company acquired an additional 9.9% of the issued shares of Pictures Global Holdings Limited ("Pictures Global") for a purchase consideration of approximately HK$3,126,000. The carrying amount of the non-controlling interests in Pictures Global on the date of acquisition was approximately HK$3,375,000. The Group recognised a decrease in non-controlling interests of approximately HK$3,375,000 and an increase in equity attributable to owners of the Company of approximately HK$249,000.

35. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2018

On 1 November 2018, the Company entered into an agreement with an independent third party, to dispose of entire interest in a subsidiary, Heemin Capital Investment Group Limited at a consideration of approximately HK$10,000. The disposal was completed on 1 November 2018 and the Group recognised a gain on disposal of a subsidiary of approximately HK$32,000. After completion of disposal, Heemin Capital Investment Group Limited creased to be a subsidiary of the Group. The net assets of Heemin Capital Investment Group Limited at the date of disposal were as follows:

	HK$'000
Other receivables	1,180
Bank balances and cash	4
Other payables	(1,206)
	(22)
Cash consideration received	10
Less: Bank balances and cash	(4)
Net cash inflow on disposal of a subsidiary	6
Gain on disposal of a subsidiary	32

35. DISPOSAL OF A SUBSIDIARY *(Continued)*

For the year ended 31 December 2017

On 17 November 2016, the Company entered into an agreement with an independent third party, to dispose all interest in a subsidiary, Top Sense Worldwide Ltd ("Top Sense"), at a consideration of HK$51,000,000. The disposal was completed on 15 February 2017 and the Group recognised a loss on disposal of a subsidiary of approximately HK$4,326,000. After completion of disposal, Top Sense creased to be a subsidiary of the Group. The net assets of Top Sense at the date of disposal were as follow:

	HK$'000
Interests in an associate	44,761
Release of translation reserve upon disposal	10,565
	55,326
Cash consideration received	51,000
Net cash inflow on disposal of a subsidiary	51,000
Loss on disposal of a subsidiary	(4,326)

36. OPERATING LEASE COMMITMENT

At the end of the reporting period, the Group had commitment for future minimum lease payments under a non-cancellable operating lease in respect of its office premises which fall due as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**3,912**	–
In more than one year but not more than two years	**3,912**	–
	7,824	–

As at 31 December 2018, lease was negotiated and rental was fixed for terms of 3 years (2017: the relevant leases were expired or terminated during the year ended 31 December 2017 and thus there was no operating lease commitment).

37. CAPITAL COMMITMENTS

The Group had the following significant capital commitments contracted but not provided for in the consolidated financial statements:

	2018	2017
	HK$'000	HK$'000
Commitment contracted for but not provided for in respect of investment in investment fund which will be recognised as equity instruments at FVOCI (2017: available-for-sale investments)	**15,194**	7,116

38. CAPITAL RISK MANAGEMENT

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

Certain subsidiaries of the Group are licensed with Securities and Futures Commission of Hong Kong ("SFC"). The Group's licensed subsidiaries are subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF (FR) R") (Chapter 571N of the Laws of Hong Kong) adopted by the SFC. The management closely monitors, on a daily basis, the liquid capital level of those licensed subsidiaries to ensure compliance with the minimum liquid capital requirements under the SF (FR) R.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group seeks to balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. For the licensed subsidiaries, the Group ensures it will maintain a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increases in the level of business activities.

The management monitors the capital structure on a regular basis by using a net debt-to-equity ratio. The Group's policy is to maintain the net debt-to-equity ratio at a reasonable level. The net debt-to-equity ratio as at the end of the reporting period was as follows:

	2018 **HK$'000**	2017 HK$'000
Debt (Note (i))	**37,400**	137,400
Cash and cash equivalents	**(224,543)**	(863,552)
Net cash	**(187,143)**	(726,152)
Equity (Note (ii))	**1,443,927**	2,009,327
Net debt-to-equity ratio	**N/A**	N/A

Notes:

(i) Debt comprised borrowings as detailed in Note 29.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at amortised cost (2017: loans and receivables):		
– Other assets	**155**	225
– Trade and other receivables*	**37,784**	35,112
– Loans and interest receivables	**404,849**	29,098
– Amounts due from associates	**–**	37,166
– Bank trust account balances	**49,439**	19,283
– Bank balances and cash	**224,543**	863,552
	716,770	984,436
Equity instruments at FVTPL (2017: held-for-trading investments)	**221,735**	765,733
Equity instruments at FVOCI (2017: available-for-sale investments)	**172,692**	326,342
Debt instruments at FVTPL	**26,269**	–
Debt instruments at FVOCI	**343,378**	–
Financial liabilities		
Amortised cost:		
– Trade and other payables	**61,600**	22,959
– Borrowings	**37,400**	137,400
	99,000	160,359

* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of approximately HK$39,051,000 (2017: HK$38,151,000) is an amount of approximately HK$1,267,000 (2017: HK$3,039,000) representing prepayments.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loans and interest receivables, bank trust account balances, bank balances and cash, financial assets at FVTPL, equity instruments at FVOCI, debt instruments at FVOCI, debt instruments at FVTPL, amounts due from associates, trade and other payables and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

The Group operates mainly in Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. The Directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) *Interest rate risk*

The Group's fair value interest rate risk relates primarily to the loans and interest receivables, debt instruments at FVOCI and borrowings which carry at fixed rates. The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may consider to enter any hedging activities if the need arises.

The Group's cash flow interest rate risk relates primarily to variable-rate bank deposits. It is the Group's policy to keep its borrowings at floating interest rate so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of bank deposits interest rate arising from the Group's variable-rate bank deposits.

Sensitivity analysis

The sensitivity analysis below have been prepared based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2017: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2018 would decrease/increase by approximately HK$837,000 (2017: HK$1,913,000).

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

The Group's debt instruments at FVOCI, equity instruments at FVOCI and financial assets at FVTPL are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to price risk. The management manages this exposure by closely monitoring the price risk and maintaining a portfolio of investments with different risks profiles.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to debt/equity price risk of debt instruments at FVOCI, equity instruments at FVOCI and financial assets at FVTPL at the end of the reporting period.

If the prices of the respective debt/equity instruments had been 5% (2017: 5%) higher/lower:

- post-tax loss for the year ended 31 December 2018 would decrease/increase by approximately HK$9,257,000 (2017: HK$31,969,000) as a result of the changes in fair value of equity instruments at FVTPL (2017: held-for-trading investments);

- post-tax loss for the year ended 31 December 2018, would decrease/increase by approximately HK$7,210,000 (2017: HK$556,000) for the Group as a result of the change in fair value of equity instruments at FVOCI (2017: available-for-sale investments); and

- post-tax loss for the year ended 31 December 2018 would decrease/increase by approximately HK$15,433,000 as a result of the changes in fair value of debt instruments at FVOCI and FVTPL.

Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position, mainly including loans and interest receivables, advance to customers on margin financing, trade receivables, other receivable, amounts due from associates debt instruments at FVOCI, bank balances and cash.

Significant increase in credit risk

As explained in Note 3, the Company monitors all financial assets that are subject to impairment allowances to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECLs.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Significant increase in credit risk (Continued)

At the end of each reporting period, the Company should evaluate if there is a significant increase in credit risk on all financial assets since the initial recognition. A variety of factors were considered whereby the evaluation stage of ECLs of relevant financial instrument, which includes regulatory and operating environment, internal and external credit rating, solvency, managing ability, terms set out in loan contracts, repayment history and other forward-looking information. When performing evaluation on the significant increase in credit risk, the Company should take below factors into consideration, including but not limited to:

- Significant increase in credit spread;
- Actual or expected significant changes in external credit rating on the obligor or the debtor;
- Significant adverse changes in business, financial and/or economic conditions in which the debtor operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the debtor;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default;
- Early signs of cash flow/liquidity problems such as delay in serving of loans; and
- Actual or expected changes in quality of credit support provided by the guarantor.

For the debtor's contractual payments (including principal and interest) that more than 30 days past due, the Group considers a financial instrument to have experienced a significant increase in credit risk and classified it into Stage 2, unless the Group has reasonable and supportable information that demonstrates otherwise.

Definition of default and credit impaired financial asset

The Group defines a financial instrument as in default, which is aligned with the definition of credit-impaired. Evidence that a financial instrument is credit impaired include observable data about the follow events:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Definition of default and credit impaired financial asset (Continued)

- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; and
- The debtor leave any of principal, advance, interest or investment in listed bonds of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not necessarily due to a single event.

Advance to customers on margin financing

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients). Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account and futures account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits and maintenance margin ratio/collateral coverage ratio for the margin financing, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Any subsequent change in value as well as quality of collateral is closely monitored in order to determine whether any corrective action is required. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk arising from trade receivables by geographical locations is mainly in Hong Kong, which accounted for 100% (2017: 100%) of the total trade receivables as at 31 December 2018.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Loans and interest receivables

For the loans and interest receivable, prior to the lending of loan, the Group will review the financial strength, purpose of the borrowing, repayment ability of the borrower to ensure that the borrower has sound financial repayment ability. The Group assesses the credit profiles of each individual debtors by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. The Group also meets quarterly and reviews from time to time the financial conditions of the borrowers or the guarantors.

For first mortgage loans and certain secured loans, the Group holds collateral against loans and interest receivables. Majority of the collateral are residential properties, commercial properties, mortgaged properties, shares of listed companies and promissory notes issued by a listed company pledged against the balances. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the Directors. The utilisation of credit limits is regularly monitored. For unsecured and guaranteed loans, the Group assesses the credit quality of the borrower and guarantor based on the customer's financial position, past experience, internal and external credit rating of the customers and other factors.

As at 31 December 2018, loans and interest receivables of approximately HK$289,000 (2017: Nil) were past due but not impaired. The Group make ECLs estimates based on the ageing of the balances, borrowers' creditworthiness, the payment delinquency of default in interest or principal payments, borrowers' business and the industry to which borrowers belong and local economic conditions. The Directors are of the opinion that no provision of ECLs is necessary for these balances as there has not been a significant change in credit risk and the respective principals and interests that have been overdue were still fully secured by the fair values of collaterals at their respective estimated selling prices. Accordingly, the ECLs of these balances is minimal.

The Group's concentration of credit risk arising from loans and interest receivables by geographical locations is mainly in Hong Kong, which accounted for 100% (2017: 100%) of the total loans and interest receivables as at 31 December 2018.

Debt instruments at FVOCI

All of the Group's debt instruments at FVOCI are considered to have low credit risk. Management consider "low credit risk" for listed bonds to be at investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligation in the near term.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Trade and other receivables and amounts due from associates

As at 31 December 2018, the Directors assessed the ECLs for other receivables are not material when they do not have default history and the debtors has a strong capacity to meet its contractual cash flow obligations in the near term.

The Directors have exercised due care in checking the financial position of the associates. As at 31 December 2018, impairment loss on amounts due from associates of approximately HK$37,335,000 (2017: Nil) was recognised as recoverability of the balance is remote.

Bank balances and cash

In respect of cash deposited with banks and financial institutions, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these financial institutions. The ECLs of bank balances and cash is close to zero.

Further quantitative data in respect of the Group's exposure to credit risk arising from debt instruments at FVOCI, loans and interest receivables, amounts due from associates, trade receivables and other receivables, bank balances and cash are disclosed in Notes 21, 23, 24, 25 and 27 respectively.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent the interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2018 HK$'000
At 31 December 2018							
Non-derivative financial liabilities							
Trade and other payables	–	61,600	–	–	–	61,600	61,600
Borrowings	7	2,618	38,055	–	–	40,673	37,400
		64,218	38,055	–	–	102,273	99,000

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2017 HK$'000
At 31 December 2017							
Non-derivative financial liabilities							
Trade and other payables	–	22,959	–	–	–	22,959	22,959
Borrowings	7.4	107,011	2,618	38,055	–	147,684	137,400
		129,970	2,618	38,055	–	170,643	160,359

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subjected to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

39. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets/ financial liabilities	Fair values as at 31 December 2018	Fair values hierarchy	Valuation technique(s) and significant input(s)
Equity securities listed in and outside Hong Kong classified as financial assets at FVTPL (2017: held-for-trading investments)	HK$26,739,000 (2017: HK$408,878,000) (Note 22)	Level 1	Quoted bid prices
Suspended Shares listed in Hong Kong classified as financial assets at FVTPL (2017: held-for-trading investments)	HK$16,994,000 (2017: HK$25,994,000) (Note 22)	Level 3	Index return method
	HK$178,002,000 (2017: HK$318,960,000) (Note 22)	Level 3	Guideline public company method (2017: Index return method) (Note)
Unlisted investment funds classified as financial assets at FVTPL (2017: held-for-trading investments)	HK$Nil (2017: HK$11,901,000) (Note 22)	Level 2	Broker's quoted prices
Equity securities listed in Hong Kong classified as equity instruments at FVOCI (2017: available-for-sale investments)	HK$Nil (2017: HK$13,325,000) (Note 20)	Level 1	Quoted bid prices

39. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

Financial assets/ financial liabilities	Fair value as at 31 December 2018	Fair value hierarchy	Valuation technique(s) and significant input(s)
Unlisted investment funds classified as equity instruments at FVOCI	HK$172,692,000 (Note 20)	Level 2	Net asset values provided by fund administrators
Listed bond investments classified as debt instruments at FVTPL	HK$26,269,000 (Note 22)	Level 1	Quoted bid prices
Listed bond investments classified as debt instruments at FVOCI	HK$343,378,000 (Note 21)	Level 1	Quoted bid prices

Note: The Directors has determined that guideline public company method is to be applied as there are reliable and latest updated financial information of the investee available to the public. Further, the enterprise value to revenue multiple is adopted by the valuer as the most preferable valuation multiple as the investee's earnings are highly correlated with its revenue.

The fair values of listed equity investments are based on quoted bid prices. The fair values of the Suspended Shares, are based on the reference to market comparable companies. The valuation methods are based on assumptions that are not supported by observable market prices or rates. The valuation requires making estimates about the movements of share prices of other comparable companies during the suspension and discount for lack of marketability. Management believes that the estimated fair value resulting from the valuation technique is reasonable, and that it was the most appropriate value at the end of the reporting period.

39. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative analysis as at 31 December 2018:

	Valuation technique	Significant unobservable input	Range/Amount	Sensitivity of fair value to the input
Suspended Shares listed in Hong Kong classified as financial assets at FVTPL (2017: held-for-trading investments)	Index Return Method	Change in share price of comparable companies during the suspension period	-48.94% to -9.84% (2017: -19.42% to 19.69%)	10% increase/decrease in the change in share price would result in decrease/ increase in fair value by approximately HK$465,000 (2017: HK$731,000)
		Discount for lack of marketability	42% (2017: 30%)	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by approximately HK$1,231,000 (2017: HK$14,804,000)
	Guideline Public Company Method	Enterprise value to revenue multiple of comparable companies	0.44 to 2.93	10% increase/decrease in the change in enterprise value to revenue multiple would result in increase/decrease is fair value by approximately HK$6,314,000
		Discount for lack of marketability	42%	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by approximately HK$12,891,000

39. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

As at 31 December 2018

	Fair value measurement using			
	Quoted bid price in active markets Level 1 HK$'000	Significant observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Listed equity securities	26,739	–	194,996	221,735
Listed bond investments	26,269	–	–	26,269
Debt instruments at FVOCI				
Listed bond investments	343,378	–	–	343,378
Equity instruments at FVOCI				
Unlisted investment funds	–	172,692	–	172,692
	396,386	172,692	194,996	764,074

39. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

As at 31 December 2017

	Fair value measurement using			
	Quoted bid price in active markets Level 1 HK$'000	Significant observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
Held-for-trading investments				
Listed equity securities	408,878	–	344,954	753,832
Unlisted investment funds	–	11,901	–	11,901
Available-for-sale investments				
Listed equity securities	13,325	–	–	13,325
	422,203	11,901	344,954	779,058

There was no transfers between the different levels of the fair value hierarchy for the year ended 31 December 2018. During the year ended 31 December 2017, there was a transfer of fair value measurements into Level 3 for held-for-trading investments. The movements in fair value measurements in Level 3 are as follows:

	2018 HK$'000	2017 HK$'000
Financial assets at FVTPL (2017: held-for-trading investments)		
At 1 January	**344,954**	–
Net change in unrealised loss recognised in profit or loss	**(149,958)**	(157,952)
Transfer from Level 1	**–**	502,906
At 31 December	**194,996**	344,954

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's consolidated financial position.

As at 31 December 2018

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position		
				Financial instruments	Collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables arising from the business of dealing in securities	39,682	(5,016)	34,666	(279)	(34,387)	–

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables arising from the business of dealing in securities	54,491	(5,016)	49,475	(279)	–	49,196

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities offsetting *(Continued)*

As at 31 December 2017

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position		
				Financial instruments	Collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables arising from the business of dealing in securities	35,279	(4,363)	30,916	(242)	(17,980)	12,694

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables arising from the business of dealing in securities	27,200	(4,363)	22,837	(242)	–	22,595

40. RELATED PARTY TRANSACTIONS

Same as disclosed below, there were no other significant transactions with related parties during the year or significant balances with them at the end of the reporting period.

Compensation of key management personnel

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	**8,724**	9,876
Post-employment benefits	**58**	19
Share-based payments	**555**	6,777
	9,337	16,672

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries directly and indirectly held by the Company at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation or establishment principal place of operations	Issued and fully paid share capital registered capital	Principal activities	Attributable equity interest held by the Company				Proportion of voting power held by the Company	
				Directly		Indirectly			
				2018	2017	**2018**	2017	**2018**	2017
Classictime Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding and securities trading	**100%**	100%	**–**	–	**100%**	100%
Colour Brave Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Fast Choice Limited	Hong Kong	Ordinary share HK$1	Personnel management	**–**	–	**100%**	100%	**100%**	100%
Plenty Cash Investment Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Superior Control Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%	**100%**	100%
Profitsway Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%	**100%**	100%
Favour Brightness Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%	**100%**	100%
E Finance Limited	Hong Kong	Ordinary share HK$100	Provision for money lending	**–**	–	**100%**	100%	**100%**	100%

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or establishment principal place of operations	Issued and fully paid share capital registered capital	Principal activities	Attributable equity interest held by the Company Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Proportion of voting power held by the Company 2018	2017
Golden Moral Investments Limited	British Virgin Islands	Ordinary share US$2	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Power Securities Company Limited	Hong Kong	Ordinary share HK$500,000,000	Licensed to carry on regulated activity in connection with dealing in securities	**–**	–	**100%**	100%	**100%**	100%
Red Metro Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Green Profit Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding and securities trading	**100%**	100%	**–**	–	**100%**	100%
Energy Management Contract Pty Ltd	Australia	Ordinary share AUS$100	Investment holding	**–**	–	**–**	90.10%	**–**	90.10%
Power Asset Management Company Limited	Hong Kong	Ordinary share HK$7,000,000	Asset Management	**–**	–	**100%**	100%	**100%**	100%
Power Corporate Finance Company Limited	Hong Kong	Ordinary share HK$5,000,000	Corporate Finance	**–**	–	**100%**	100%	**100%**	100%
Rise Fountain Group Investment Limited	British Virgin Islands	Ordinary share US$100	Investment holding	**–**	–	**65%**	65%	**65%**	65%
Key Winner Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–	**100%**	100%
Heemin Capital Investment Group Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	100%	**–**	–	**–**	100%
Estate Sun Global Limited	British Virgin Islands	Ordinary share US$200	Investment holding	**–**	–	**100%**	100%	**100%**	100%
Bonus First Group Limited	British Virgin Islands	Ordinary share US$200	Property holding	**–**	–	**100%**	100%	**100%**	100%

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

None of the subsidiaries had issued any debt securities at the end of the reporting period.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2018	Number of subsidiaries 2017
Investment holding and treasury management	Hong Kong	**12**	15
	PRC	**1**	1

42. NOTES SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Loan notes (Note 29) HK$'000
At 1 January 2017	280,800
Changes from cash flows:	
Proceeds from new loan notes	37,400
Repayment of loan notes	(180,800)
Total changes from financing cash flows:	(143,400)
At 31 December 2017 and 1 January 2018	137,400
Changes from cash flows:	
Repayment of loan notes	(100,000)
Total changes from financing cash flows:	(100,000)
At 31 December 2018	37,400

43. CONTINGENT LIABILITIES

(i) Writ of summons by Convoy Global Holdings Limited

Classictime Investments Limited ("Classictime"), a wholly-owned subsidiary of the Company, is the 24th Defendant in a writ of summons served on 19 December 2017 on behalf of Convoy Global Holdings Limited ("Convoy", the 1st Plaintiff), Convoy Collateral Limited ("CCL", the 2nd Plaintiff) and CSL Securities Limited ("CSL", the 3rd Plaintiff) (collectively, the "Plaintiffs") in a set of legal proceedings brought by the Plaintiffs in the High Court of Hong Kong (the "HC Action"). It is the Plaintiffs' case that, amongst other things, the 1st Defendant, Mr. Cho Kwai Chee Roy, and his associates (who are named as co-defendants in the HC Action) implemented a scheme such that shares in Convoy would be allotted to and held by companies related to the 1st Defendant (the "Placees") which had agreed to act upon the direction of the 1st Defendant. The Plaintiffs alleged that the 1st Defendant and his associates on the board of Convoy, CCL and/or CSL improperly used their power to allot shares and to grant loans to the detriment of the Convoy Group, constituting serious breaches of fiduciary duties or other director's duties, dishonest assistance, unlawful and/or lawful means conspiracy. Classictime is one of the Placees alleged in the HC Action. The Plaintiffs, amongst other things, seek an order against Classictime that the allotment of shares to Classictime be set aside, together with damages, interests, costs, and further and/or other relief. As at the date of this report, pleadings have not closed yet.

Please refer to the Company's announcement dated 20 December 2017 for more details.

(ii) Zhu Xiao Yan Petition

Classictime is one of the thirty three respondents in a petition made by Zhu Xiao Yan as the petitioner ("Petitioner") under a set of legal proceedings in the High Court of Hong Kong ("Petition"). In summary, the Petitioner alleged that the detriment suffered by her to the real value of her shares in Convoy was a consequence of the unfairly prejudicial mismanagement or misconduct in and about the business and affairs of, amongst other companies, Convoy, CCL and CSL. Such allegations made are mainly based on those set out in the writ in the High Court Action.

Please refer to the Company's announcement dated 3 January 2018 for more details.

A Case Management Conference was held on 6 March 2018. In summary, the Court directed that the Petition be stayed pending determination of the HC Action.

Given that the two aforementioned cases are still in an early stage, and having considered the alleged claims and consulted the Company's legal adviser, the Directors are of the views (i) it is premature to determine the possible outcome of any claim which is pending, either individually or on a combined basis; (ii) it is uncertain to quantify any financial impact which will have a material effect on the financial position of the Company; and (iii) no provision for the claims of these legal proceedings is required to be made based on its current development. The Directors monitor these cases against the Group closely.

43. CONTINGENT LIABILITIES *(Continued)*

(iii) Writ of summons by Best Year Enterprises Limited ("Best Year")

On 24 July 2018, a writ of summons together with the statement of claim was served on Power Securities, a wholly-owned subsidiary of the Company. The legal proceedings were brought by Best Year, against, among other persons, Power Securities and Mr. Sit Sai Hung, Billy ("Mr. Sit"), an executive Director.

Please refer to the Company's announcement dated 25 July 2018 for more details.

Best Year has discontinued these proceedings on 26 September 2018.

(iv) Counterclaim made by Best Year

On 25 July 2018, Power Securities commenced legal proceedings against, amongst other parties, Best Year and Mr. Sin Kwok Lam ("Mr. Sin") by way of a writ of summons. Power Securities subsequently filed and served the statement of claim on 30 November 2018. On 8 March 2019, Best Year and Mr. Sin filed a defence and counterclaim. The said counterclaim was made against, amongst other parties, Power Securities and Mr. Sit. The relief sought by Best Year and Mr. Sin are damages for conspiracy to be assessed, interest, costs and such further and/or other relief.

It is Power Securities' intention to contest the said counterclaim and it is seeking legal advice in this regard.

44. EVENTS AFTER THE REPORTING DATE

On 28 February 2019, the Group exercised its right of redemption of a fund and submitted a written request for redemption to the fund administrator. According to terms of the fund, the completion of the Redemption will take place on 1 April 2019 (or such other day as the directors of the Fund may determine) (i.e. the "Redemption Day") and the price for the redemption will be determined with reference to the net asset value per each participating share of the fund on the business day immediately preceding the Redemption Day. The fair value of the fund held by the Group and classified as equity instrument at FVOCI as at 31 December 2018 was approximately HK$35,278,000.

On 6 March 2019, the Group accepted the offer from an independent purchaser to purchase non-voting participating redeemable shares of a fund at a consideration of approximately HK$36,592,000. The purchaser will settle the consideration in cash by 34 monthly instalments, whereby (i) approximately HK$3,049,000 shall be paid on or before 29 March 2019 and (ii) approximately HK$1,016,000 on or before the last business day of each consecutive month from April 2019 to December 2021.

45. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	**2018 HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**62**	55
Investments in subsidiaries		**220,871**	217,745
Investment in an associate		**55,005**	55,005
		275,938	272,805
CURRENT ASSETS			
Amounts due from subsidiaries	(a)	**1,349,271**	3,314,778
Amounts due from associates		**–**	37,114
Other receivables		**7,712**	2,839
Bank balances and cash		**4,362**	239,980
		1,361,345	3,594,711
CURRENT LIABILITIES			
Amounts due to subsidiaries		**242,642**	296,412
Other payables and accruals		**8,166**	1,613
Borrowings		**–**	100,000
		250,808	398,025
NET CURRENT ASSETS		**1,110,537**	3,196,686
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,386,475**	3,469,491
NON-CURRENT LIABILITY			
Borrowings		**37,400**	37,400
NET ASSETS		**1,349,075**	3,432,091
CAPITAL AND RESERVES			
Share capital		**27,836**	30,864
Reserves		**1,321,239**	3,401,227
TOTAL EQUITY		**1,349,075**	3,432,091

Note:

(a) The amounts due from subsidiaries classified under current assets are unsecured, interest-free and repayable on demand. ECLs for amounts due from subsidiaries are assessed on 12-month ECLs basis as there had been no significant increase in credit risk since initial recognition. An impairment allowance of approximately HK$1,945,046,000 is made based on the Company's internal assessment.

45. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

COMPANY

	Share premium HK$'000	Treasury shares HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share-based payments reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000
At 1 January 2017	3,801,296	–	861	494,907	38,810	(805,079)	3,530,795
Loss and total comprehensive expense for the year	–	–	–	–	–	(172,600)	(172,600)
Issue of shares upon exercise of shares options	39,321	–	–	–	(11,378)	–	27,943
Lapse of share options	–	–	–	–	(39,958)	39,958	–
Recognition of equity-settled share-based payments	–	–	–	–	15,089	–	15,089
At 31 December 2017 and 1 January 2018	**3,840,617**	**–**	**861**	**494,907**	**2,563**	**(937,721)**	**3,401,227**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(2,040,176)**	**(2,040,176)**
Lapse of share options	**–**	**–**	**–**	**–**	**(748)**	**748**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**555**	**–**	**555**
Share repurchase (Note 30(b))	**–**	**(43,395)**	**–**	**–**	**–**	**–**	**(43,395)**
Cancellation of shares	**(40,367)**	**43,395**	**–**	**–**	**–**	**–**	**3,028**
At 31 December 2018	**3,800,250**	**–**	**861**	**494,907**	**2,370**	**(2,977,149)**	**1,321,239**

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2018

	Year ended 31 December 2014 HK'000	Year ended 31 December 2015 HK'000	Year ended 31 December 2016 HK'000	Year ended 31 December 2017 HK'000	**Year ended 31 December 2018 HK'000**
Revenue					
– Continuing operations	32,889	131,152	70,555	35,545	**41,613**
– Discontinued operation	30,812	40,143	53,569	–	**–**
	63,701	171,295	124,124	35,545	**41,613**
Profit (loss) before tax	272,902	(148,909)	(915,727)	(922,431)	**(436,564)**
Income tax credit (expense)	1,142	(7,044)	(5,847)	(450)	**(810)**
Loss for the year from discontinued operation	(20,979)	(36,272)	(5,986)	–	**–**
Profit (loss) for the year	253,065	(192,225)	(927,560)	(922,881)	**(437,374)**
Profit (loss) for the year attributable to:					
Owners of the Company	255,398	(191,838)	(926,717)	(922,661)	**(437,330)**
Non-controlling interests	(2,333)	(387)	(843)	(220)	**(44)**
	253,065	(192,225)	(927,560)	(922,881)	**(437,374)**

	As at 31 December 2014 HK'000	As at 31 December 2015 HK'000	As at 31 December 2016 HK'000	As at 31 December 2017 HK'000	**As at 31 December 2018 HK'000**
Assets and liabilities					
Total assets	2,237,930	4,535,489	3,252,423	2,180,409	**1,544,390**
Total liabilities	(469,203)	(952,601)	(378,285)	(166,200)	**(99,000)**
Net assets	1,768,727	3,582,888	2,874,138	2,014,209	**1,445,390**
Capital and reserves					
Total equity attributable to owners of the Company	1,759,506	3,579,424	2,869,036	2,009,327	**1,443,927**
Non-controlling interests	9,221	3,464	5,102	4,882	**1,463**
Total Equity	1,768,727	3,582,888	2,874,138	2,014,209	**1,445,390**