New Sports Group Limited
新體育集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 299)

2018
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Yao Jianhui *(Chairman)*
(appointed on 20 December 2018)
Zhang Xiaodong *(Vice Chairman)*
(re-designated on 20 December 2018)
Li Minbin (appointed on 20 December 2018)
Xia Lingjie (resigned on 20 December 2018 and
appointed again on 27 March 2019)

Non-Executive Director

Lau Wan Po
Wu Teng (appointed on 24 August 2018)
Zhan Yushan (appointed on 26 October 2018)
Chen Kaiben (appointed on 20 December 2018)

Independent Non-Executive Directors

Chen Zetong
He Suying
Tang Lai Wah
Wong Chun Bong (appointed on 20 December 2018)

CHIEF EXECUTIVE OFFICER

Xia Lingjie (appointed on 20 December 2018)
Zhang Xiaodong (resigned on 20 December 2018)

CHIEF FINANCIAL OFFICER

Fong Ching Kong

COMPANY SECRETARY

Fong Ching Kong

SOLICITOR

Baker & McKenzie
H. Y. Leung & Co. LLP

AUDIT COMMITTEE

Wong Chun Bong#
He Suying
Tang Lai Wah

DEVELOPMENT COMMITTEE

Yao Jianhui#
Zhang Xiaodong
Xia Lingjie

INVESTMENT COMMITTEE

Yao Jianhui#
Zhang Xiaodong
Xia Lingjie

NOMINATION COMMITTEE

Wong Chun Bong#
Yao Jianhui
He Suying

RISK MANAGEMENT COMMITTEE

Zhang Xiaodong#
Xia Lingjie
Zhan Yushan

SALARY REVIEW COMMITTEE

He Suying#
Yao Jianhui
Tang Lai Wah

AUTHORISED REPRESENTATIVES

Zhang Xiaodong
Fong Ching Kong

AUDITOR

RSM Hong Kong
Certified Public Accountants

PRINCIPAL BANKER

Hong Kong and Shanghai Banking Corporation

Chairman

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2602, 26/F,
Lippo Centre, Tower 1
No. 89 Queensway
Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited
68 Fort Street, P. O. Box 705
George Town, Grand Cayman
Cayman Islands

REGISTERED OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.newsportsgp.com

STOCK CODE

299

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December

CONSOLIDATED RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations					
REVENUE	**1,892,396**	191,519	155,207	502,980	582,892
PROFIT/(LOSS) BEFORE TAX	**268,181**	(53,425)	(769,653)	(51,093)	(45,989)
INCOME TAX EXPENSE	**(106,344)**	(3,541)	(2,950)	(15,228)	(10,921)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**161,837**	(56,966)	(772,603)	(66,321)	(56,910)
Discontinued Operation					
PROFIT /(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATION	**–**	158,813	(147,568)	–	–
PROFIT/(LOSS) FOR THE YEAR	**161,837**	101,847	(920,171)	(66,321)	(56,910)
PROFIT/(LOSS) ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**103,138**	87,940	(861,582)	(76,401)	(56,799)
NON-CONTROLLING INTERESTS	**58,699**	13,907	(58,589)	10,080	(111)
	161,837	101,847	(920,171)	(66,321)	(56,910)
EARNINGS/(LOSS) PER SHARE					
FROM CONTINUING AND DISCONTINUED OPERATIONS			(represented)	(represented)	(represented)
Basic (cents)	**0.03**	0.05	(1.13)	(11.60)	(10.00)
FROM CONTINUING OPERATIONS					
Basic (cents)	**0.03**	(0.04)	(0.93)	(11.60)	(10.00)

CONSOLIDATED ASSETS AND LIABILITIES

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**12,636,662**	5,966,028	2,398,312	1,603,257	799,406
TOTAL LIABILITIES	**(8,646,900)**	(3,586,070)	(961,300)	(589,707)	(155,942)
	3,989,762	2,379,958	1,437,012	1,013,550	643,464
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**2,760,603**	1,759,462	1,405,707	943,598	637,364
NON-CONTROLLING INTERESTS	**1,229,159**	620,496	31,305	69,952	6,100
	3,989,762	2,379,958	1,437,012	1,013,550	643,464

CHAIRMAN'S STATEMENT

INDUSTRY AND MARKET OVERVIEW

The year 2018 was an important turning point for the great change and major adjustment of the world economic landscape. The world economy was characterised by slowing momentum, obvious differentiation, rising downside risks and accelerated adjustment of rules. China's economic environment was generally in a downward state, and its economic policy gradually changed from "reducing leverage" to "maintaining growth". Among them, the means of real estate regulation and control continued to increase, the development concept of "houses are used for living, not for speculation" continued to deepen. The government implemented policies by city and conduct classified guidance in the regulation and control. The real estate market focused mainly on "stability". The investment in real estate development for the year was RMB12,026.4 billion, an increase of 9.5% over the previous year, the sales area of commercial housing in China was 1,716.54 million square meters, an increase of 1.3%, and the sales of commercial housing in China amounted to RMB14,997.3 billion, an increase of 12.2%. In addition, the National Action Plan on Further Promoting Sports Consumption (2019-2020) mentioned that by 2020, the total scale of national sports consumption will reach RMB1.5 trillion, and the proportion of per capita sports consumption expenditure in total consumption will rise. Although China's sports industry is valued by the state and supported by the policy, the sports industry market is still limited by various factors. The problems of the business structure such as long investment cycle and slow capital recovery are still deeply troubling the business development and long-term development of a number of sports enterprises.

New Sports Group Limited (the "Company") and its subsidiaries (the "Group") expect that the strict financial supervision adopted by the Chinese government and the "steady and tight" regulatory policies will continue in 2019, but as the real estate market is the "ballast stone" of the Chinese economy, the differentiation and partial loosening of the local real estate market policies in the country are likely to gradually emerge in 2019, and the overall scale will enter the stable phase from the contraction phase. In the long run, the real estate market is expected to show an upward trend, stepping into a stable growth state. In 2019, with the on-going implementation of the "Six Stability" policy, the tight financial supply situation will be rectified. The currency supply M2 and social financing growth rates will stabilise at a low level, and the financing availability of private and micro enterprises will be improved. At the same time, the stock market is stabilizing and is expected to rebound, gradually showing an " uptrend followed by a decline" recovery trend. We hope that the overall financing environment will become better and better. At the same time, the management of the Group understands that the overall development of the sports industry cannot be separated from the development level of a country's economy. In terms of the development path, on the one hand, the overall development of China's sports industry must rely on the market base, on the other hand, it relies fully on social capital and social forces. The year 2018 marked the fortieth anniversary of China's reform and opening up. There are still many bottlenecks in the reform of the sports industry, and there are still many obstacles for the social fields to enter the sports industry. The core sports resources, especially the high-quality sports resources and the allocation of athlete resources, are still to be optimised, there is still a certain gap between the sports industry and the direction of marketization, industrialization, and professionalization development. The reform of the industry associations faces many unchartered areas, especially the reform of laws, policies, and systems needs to be innovated and improved. Although the general environment of China's sports industry is still generally optimistic under the strong support of national policies, the prospects of the yacht business market should not be blindly optimistic. Under the gloom of the overall economic situation, the general public's acceptance and market popularity of the yacht sports industry and maritime entertainment, as middle and high-end consumer industry in the eyes of the public, are far from enough, and it is expected that the market size may contract.

CHAIRMAN'S STATEMENT

Against the above-mentioned macroeconomic backdrop, in 2019, the Group will rely on the financing market which is gradually improving, seize opportunities and study national policies deeply. On the one hand, the Group will comprehensively investigate the investability of real estate projects in key cities in China, respond promptly to the market trends, invest correctly and efficiently, and focus on promoting the property investment and developing segment. On the other hand, the Group will operate the sports culture segment smoothly. With a two-pronged approach and two-wheel drive, the Group will steadily grow and go with the flow, hoping to lay a solid foundation for the future development of the Group's business.

BUSINESS REVIEW

Property Development and Investment

In 2018, the Group has further established property investment and development as the Group's primary core development business segment after continuous adjustment of its business. Following its official involvement in the real estate industry in 2017, the Group has now established business presence in Shenzhen, Changchun, Changsha, Weinan, Shantou, Yunfu and other key cities in China, covering multi-service segmentation products including commercial office buildings, commerce, multi-storey, and high-rise residential buildings, hotels, business apartments, villas and garden houses, through acquisition, capital increase, and equity expansion. Through the continuous deepening and development of its business in 2018, the Group has developed into a real estate group with gross floor area of more than 2.5 million square meters.

At the end of 2017, the Group acquired a number of plots in Chaoshan District through the acquisition of the stake of Shenzhen Borui Enterprise Management Company Limited and successfully bid for the development and operation rights of the site in Chaoyang District, Changchun City. On 7 March 2018, the Group entered into an agreement to acquire a 60% stake in Weinan Project Company. On 14 February 2018, Weinan Project Company successfully bid for the land use rights of the Weinan project site and executed a confirmation letter regarding the listing of the Weinan plot. Weinan project occupies the hot spot of the rapid development of Weinan City. As the first project of the Group going west to Weinan, Weinan project will build a model community of urban life and create an ideal home in the shade for the public next to the city government.

On 1 June 2018, the Group acquired a 51% stake in Hunan Project Company. Hunan Project Company is mainly engaged in land development and operation. It has obvious advantages in project location as it is close to the Furong District at city center, with mature facilities and superior regional location. The Group will introduce high-end luxury design concepts to create a benchmark for the district and lead the luxury house market in Changsha.

On 27 June 2018, the Group acquired a 100% stake in Yunfu Project Company. Yunfu Project Company has successfully obtained the land use right of Yunfu plot, which is located in the core area of Yunfu New District, where the city's political, economic, humanistic and leisure resources gather.

On 23 October 2018, the Group acquired the right of compensation for demolition of the old renovation project in Huaqiang North-Shangbu District, Shenzhen. The project is located in the hinterland of Huaqiang North, the core of Futian, with mature commercial facilities and well-developed metro transportation networks.

On 8 November 2018, the Group acquired a 100% stake in Shantou Project Company. Located in the core area of Shantou Bay New District, the project is an important connecting point between the Pan-Pearl River Delta Economic Circle and the West Coast Economic Zone of the Strait. The completion of the project will build a million-level urban humanistic smart complexity, which will bloom the light of urban wisdom of Shantou City.

In addition to the above property and land investment activities, the Group has also owned commercial and residential properties in Shenyang, Hefei, and Shenzhen. At present, the Group's land reserve resources are relatively sufficient, the advantages of real estate development projects in various places are obvious, and the prospects are promising. Starting from 2019, the Group will further seek high-quality project reserves, vigorously develop the property investment sector, build talent echelon, deepen property investment and management capabilities, expand management scale, strengthen group brands, achieve a virtuous circle of funds and prepare for the long-term development of the Group.

Sports Culture

The main sports and cultural business operated by the Group include the New Sports Marine Sports Center ("Sports Center"), the New Sports Marine Training Center ("Training Center") and the Shenzhen Bihai Bay Golf Practising Court ("Baoxin Golf"). Sports culture is one of the Group's current strong businesses, and has a mature management team, good market relations and a stable development model.

Since the acquisition of the two major assets of the Sports Center and the Training Center in December 2016, the Sports Center and Training Center have become the core carriers for the Group to develop sports undertakings, promote sports culture and promote sports spirits. Sports Center is a leisure tourism platform integrating yacht parking, boat leasing, yacht driving training, diving training, vacation leisure, and star-rated hotels. It is also a designated venue for many international, national, provincial and municipal water sports events, such as China Cup International Regatta, and it has been praised as "the most beautiful venue in the world". In 2018, the Sports Center completed nearly 50 race events and events through sponsorships, co-sponsorships, and venue support. The 12th China Cup International Regatta ended successfully on 12 November 2018. The Sports Center and the world's sailing enthusiasts witnessed the "Best Champion Year" of the China Cup International Regatta. The Training Center has an independent campus environment and advanced hardware and software facilities. It has become a seafaring theme training venue matching the Sports Center, serving more than 30,000 people each year. The Training Center has designated training bases for many well-known camp educations, and has been featured in many well-known magazines such as World Architecture and Architectural Creation, earning it the name "the most beautiful training base in Shenzhen".

On 28 March 2018, the Group leased Baoxin Golf with Shenzhen Bihai Bay Golf Club Co., Ltd. for a term of 17 years. Baoxin Golf is a high-end leisure club with golf practice and teaching as its main axis. It is an international golf club with fitness, entertainment, and leisure food. With the development of the society and the improvement of people's living standards, especially after golf returns to the Olympic Games, global golf fitness and leisure sports are constantly moving forward. The Group believes that with the government's guidance and regulation of golf as a sports industry, golf has changed from the original aristocratic leisure and recreation activity to the ordinary fitness and leisure activity, and the development of golf industry is expected to go on the right track, and ultimately achieve benign development.

In 2019, the Group will continue to take advantage of the strategic positioning of Shenzhen Eastward Advance Strategy and the "Global Tourism Demonstration Zone" of Shenzhen Dapeng New District, taking advantage of the coastal and beach-front marine event venues and comprehensive training bases near the mountain and sea to seize the opportunities in the sports tourism and sports training industries. At the same time, under the guidance of the government, we will continue to devote ourselves to the development of golf fitness and leisure sports to meet the people's needs for a better life, and promote the deep integration of fitness for all and the health of the whole people; we will continue to develop sports culture, innovate the development of cultural industries, and optimise the Group's brand influence and lay a strong foundation for the Group's multi-faceted business development.

CHAIRMAN'S STATEMENT

PROSPECTS

2018 is a "year of in-depth adjustment" for the Group. Through multiple rounds of mergers and acquisitions, the Group vigorously developed property business and obtains sufficient land reserve resources. At the same time, we continued to operate the sports culture business steadily, with two wheels driving simultaneously, and consolidated internal and external resources, so as to achieve the effective cooperation and benign development of the two pillar businesses.

Looking forward to 2019, the Group will resolutely focus on the strategic policy formulated by the Board of Directors. In the aspect of property investment, the annual theme is "high quality, accurate supply, accelerated sales, and accelerated repayment". With a clearer mind and a more aggressive spirit, the Group will make up for its shortcomings and consolidate its internal merits; and take more pragmatic and effective measures to control risks and build a solid cash position, so as to achieve steady growth and robust development; in the aspect of sports culture, we will innovate the operation mode of venues, improve the quality of sports training, intensify the operation of competitions, develop sports tourism, and continue to devote ourselves to the construction and promotion of a well-known brand as a comprehensive platform in the sports culture industry.

At the beginning of 2019, the global economic recovery continues to face greater uncertainty. Coupled with the negative sentiment caused by the escalation of trade frictions between China and the United States, China's economy is currently facing a double contraction of demand and supply, which results in a large downward pressure on China's economy in 2019. Nevertheless, the Group will overcome all difficulties with determination, and continue to accord top priority to the interests of shareholders and investors and strive for significant improvement in operation by upholding property investment and development as its core business, with cultural sports as a focal point and upgraded properties as the mainstay, thereby creating value for the society.

Finally, on behalf of the Group, I would like to express my heartfelt thanks to the Board of Directors, management team and all staff for their hard work, loyal services and contributions in the past year, especially to the trust and support of the shareholders. The management team and I are full of expectations and confidence for the development of the Group in 2019!

By Order of the Board
New Sports Group Limited

Yao Jianhui
Chairman

Hong Kong, 27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

During the year ended 31 December 2018 (the "Year"), the Group achieved approximately HK$1,892,396,000 in revenue, representing an increase of approximately 888.1% from that of approximately HK$191,519,000 for 2017. The significant increase in revenue was mainly attributable to the contribution of the revenue derived from the recognition of sales of properties of our newly acquired subsidiary in Hunan and the trading of commodities business in the People's Republic of China (the "PRC").

Along with the revenue growth, the gross profit was approximately HK$134,118,000, comparing to the gross loss of approximately HK$42,772,000 for 2017. The overall gross loss ratio of approximately 22.3% became gross profit ratio of approximately 7.1%. The substantial increase in gross profit was mainly due to the contributions from the sales of properties and the operation of a yacht club and provision of training services.

The Group had expedited the real estate and property investment business by expanding its operation scale. As a result, selling expenses were increased by approximately 77.5% when compared with last year which amounted to approximately HK$13,264,000 (2017: approximately HK$7,473,000); administrative expenses were increased by approximately 43.4% when compared with the last year which amounted to approximately HK$87,814,000 (2017: approximately HK$61,231,000).

Research and development expenses during the Year was approximately HK$2,361,000 (2017: approximately HK$1,178,000), representing an increase of approximately 100.4% compared to 2017.

As at 31 December 2018, no impairment for goodwill and other intangible assets was incurred. As at 31 December 2017, substantial impairment for goodwill and other intangible assets of operation of software development in the PRC amounted to approximately HK$75,263,000 and HK$19,996,000 respectively based on valuation of fair value changes in relevant businesses.

The properties portfolio of the Group comprised residential and commercial properties in Shenyang, Hefei, Shenzhen and Hunan, as well as certain properties under construction in Shantou which were held for investment purpose. As at 31 December 2018, the gain resulted from the fair value appreciation of those investment properties amounted to approximately HK$203,290,000 (2017: approximately HK$40,894,000) was recognised.

In addition, the Group recognised a gain on bargain purchase from business combination of approximately HK$108,658,000 (2017: HK$43,348,000). It was contributed by the acquisition of Hunan Project Company and Shantou Project Company.

Besides, a fair value gain of approximately HK$37,145,000 (2017: approximately HK$161,199,000) resulted from the adjustment on contingent consideration payable in relation to the acquisition of Yue Jin Asia Limited with reference to the financial result of Yue Jin Asia Limited for the year ended 31 December 2018.

Finance costs represent mainly interest expenses and other borrowing costs in relation to bank and other borrowings. During the Year, finance costs amounted to approximately HK$111,109,000 (2017: approximately HK$49,145,000), representing an increase by approximately 126.1% compared to 2017.

Income tax expense, which consisted of the Enterprise Income Tax and the Land Appreciation Tax levied in the PRC as well as their deferred tax effect, was approximately HK$106,344,000 for the Year as compared with the last year of approximately HK$3,541,000, representing an increase in approximately 2,903.2% compared to 2017.

As a result of the above-mentioned factors, the Group recorded a net profit of approximately HK$161,837,000 for the Year, as compared with the net profit amount of approximately HK$101,847,000 for 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had bank and cash balances of approximately HK$758,316,000 (31 December 2017: HK$327,249,000).

Total borrowings of the Group amounted to approximately HK$4,827,735,000 as at 31 December 2018, of which equivalents of approximately HK$557,500,000 and approximately HK$4,270,235,000 were denominated in Hong Kong dollars and Renminbi respectively.

Total borrowings included bank and other loans of approximately HK$4,330,235,000 and corporate bond of approximately HK$497,500,000. All loans bore fixed interest rates and exposed the Group to fair value interest rate risk.

As at 31 December 2018, the Group had a net current asset of approximately HK$1,007,456,000, as compared with an amount of approximately HK$1,037,993,000 as at 31 December 2017. As at 31 December 2018, the gearing ratio of the Group was approximately 1.210 (31 December 2017: approximately 0.627), which was calculated on the basis of the total borrowings divided by total equity as at the respective reporting date.

CAPITAL EXPENDITURE

The total spending on the acquisition of property, plant and equipment amounted to approximately HK$14,634,000 for the Year (2017: approximately HK$16,513,000).

SECURITIES INVESTMENT

To broaden the source of income and offering a better return to its shareholders, the Group included securities investment for listed shares in both Hong Kong and USA. The Group adopted a prudent investment strategy and will closely monitor the market changes and adjust its investment portfolio as and when necessary. During the Year, the Group recognised a loss on disposal of financial assets at fair value through profit or loss and decrease in fair value change of equity instruments at fair value through other comprehensive income amount of approximately HK$19,294,000 (2017: Nil) and approximately HK$67,030,000 respectively. Dividend income amount of approximately HK$2,377,000 (2017: approximately HK$6,207,000) received from financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. As at 31 December 2018, the Group held financial assets at fair value through other comprehensive income of approximately HK$311,192,000 (2017: approximately HK$13,222,000) as follows:

			As at 31 December 2018		Fair value/carrying amount	
Nature of investments		**Location**	**Number of shares held**	**Percentage to shareholding in such stock**	**As at 31 December 2018**	**As at 31 December 2017**
	Note		*'000*	*%*	*HK$'000*	*HK$'000*
Financial assets at fair value through other comprehensive income/ Available-for-sale financial assets						
A. Listed Securities						
China Goldjoy Group Limited		Hong Kong	222,816	0.86%	106,952	–
Bank of Zhengzhou Co. Ltd.		Hong Kong	32,062	0.60%	122,156	–
Madison Holdings Group Ltd		Hong Kong	67,320	0.80%	69,340	–
BIO-key International Inc.	*(a)*	USA	2,178	15.58%	12,744	–
B. Unlisted Securities						
Shenzhen Chaoshang Equity Investment Fund Company Limited		PRC	–	–	–	13,222
Total					311,192	13,222
Financial assets at fair value through profit or loss						
Listed Securities						
China Goldjoy Group Limited		Hong Kong	–	–	–	46,434
Bank of Zhengzhou Co. Ltd.		Hong Kong	–	–	–	127,282
Madison Holdings Group Ltd		Hong Kong	–	–	–	64,700
Guanghe Landscape Culture Communication Co. Ltd., Shan Xi		PRC	–	–	–	24,917
Total					–	263,333

Note:

a) BIO-key International Inc., listed on NASDAQ in the United States under the ticker symbol BKYI, specialising in advanced biometric identification solutions.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF ASSETS

As at 31 December 2018, properties for sale under development and investment properties with a carrying amount of approximately HK$1,760,400,000 and HK$288,167,000 respectively were pledged as security for bank loans in relation to the Group's real estate and property investment business. Besides the Group has utilised approximately HK$261,400,000 of notes payable which is secured by a charge over the pledged bank deposited amounted to HK$250,000,000.

Properties for sale under development with carrying amount of approximately HK$170,868,000 and HK$74,751,000 were pledged for the provision of financial guarantees to an associated party of a former equity holder of a subsidiary and the associated parties of a non-controlling equity holder of a subsidiary respectively.

As at 31 December 2018, certain equity investments at fair value through other comprehensive income with a carrying amount of approximately HK$122,156,000 were pledged to secure the relevant loans from a related party amounting HK$60,000,000 which granted to a subsidiary of the Group.

As at 31 December 2017, certain listed equity securities in Hong Kong with an aggregate carrying value of approximately HK$124,200,000 were pledged to secure the relevant loans amounting to approximately HK$75,380,000. The carrying amount of properties for sale under development and a share charge over the entire issued capital of a wholly-owned subsidiary of the Group were pledged as security for banking facilities granted to a subsidiary of the Group amounted to approximately HK$1,221,773,000.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 438 full time staff as at 31 December 2018 (31 December 2017: 241) in Hong Kong and the PRC. The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any significant funds to provide for retirement or similar benefits for its employees.

FOREIGN EXCHANGE AND CURRENCY RISKS

Most of the Group's revenue and expenses were generated from the PRC and were denominated in Renminbi. During the Year, the Group had not hedged its foreign exchange risk because the exposure was considered insignificant. Our management will continue to monitor our foreign exchange exposure and will consider hedging the foreign currency exposure when it is necessary.

SHARE CAPITAL

Pursuant to an ordinary resolution passed by the Shareholders on 23 February 2018, the authorised ordinary shares of the Company (the "Shares") is increased from HK$200,000,000 divided into 4,000,000,000 ordinary shares of HK$0.05 each to HK$400,000,000 divided into 8,000,000,000 Shares of HK0.05 each by the creation of an additional 4,000,000,000 new Shares of HK$0.05 each.

On 10 January 2018, the Company entered into the placing agreement with the placing agent in relation to the placement of 1,634,502,485 Shares of HK$0.05 each at a price of HK$0.50 per share. The placement was completed on 20 March 2018 and placed to not less than six independent investors. The premium on the issue of shares, amounting to approximately HK$731,377,000, net of share issue expenses of approximately HK$4,149,000, was credited to the Company's share premium account. The Company issued and allotted 1,634,502,485 new Shares on the same day.

On 10 January 2018, the Company entered into the subscription agreement with Tengyue Limited in relation to the subscription of 408,625,621 Shares of HK$0.05 each at a price of HK$0.50 per share. The subscription was completed on 20 March 2018 and the premium on the issue of shares amounting to approximately HK$183,881,000, was credited to the Company share premium account. The Company issued and allotted 408,625,621 new Shares on the same day.

Please refer to the announcements of the Company dated 10 January 2018 and 20 March 2018 and the circular of the Company dated 5 February 2018 for more details regarding the increase in authorised share capital, placement and subscription of Shares as described above.

In October and November 2018, the Company carried out the on-market buy-backs of the 26,700,000 Shares in total and all the Shares bought back were subsequently cancelled by the Company.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities (2017: Nil).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group's capital commitments were approximately HK$8,242,045,000 (2017: approximately HK$3,201,149,000) in respect of contracted but not provided for capital expenditures on properties under development.

SHARE OPTIONS

2014 Share Option Scheme was adopted on 26 March 2014. As at 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding was nil (2017: Nil).

FINAL DIVIDEND

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

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Yao Jianhui

Chairman & Executive Director

Mr. Yao Jianhui ("Mr. Yao"), aged 47, joined the Company as the executive Director and the chairman of the Company since 20 December 2018. He graduated from South China University of Technology, in the PRC with a postgraduate diploma in business administration.

Mr. Yao has acted as the executive director, chairman and chief executive officer of China Goldjoy Group Limited (a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") , stock code: 1282) ("CGG") since August 2015. He also acts as director of several subsidiaries of CGG.

From March 2002 to March 2003, Mr. Yao acted as the executive vice president of 深圳市寶能投資集團有限公司 (Shenzhen Baoneng Investment Group Co., Ltd.*) ("Baoneng Investment"). From March 2003 to July 2010, he was the executive deputy general manager, general manager and chairman of the board of directors of 深圳深業物流集團股份有限公司 (Shenzhen Shum Yip Logistics Group Holdings Co., Ltd.*) ("Shum Yip Logistics"). From July 2010 to October 2014, Mr. Yao acted as the general manager and chairman of the board of directors of 寶誠投資股份有限公司 (Baocheng Investment Co., Ltd.*) ("Baocheng Investment") (stock code: 600892, a company listed on Shanghai Stock Exchange) (currently known as 大晟時代文化投資股份有限公司(Dasheng Times Cultural Investment Co. Ltd.*)). From June 2006, he has been the chairman of the board of directors of 寶能控股(中國)有限公司 (Baoneng Holding (China) Co., Ltd.*).

Mr. Zhang Xiaodong

Vice Chairman & Executive Director

Mr. Zhang Xiaodong ("Mr. Zhang"), aged 45, joined the Company as the executive Director, the chairman and the chief executive officer of the Company ("CEO") since 1 April 2016, he resigned as the CEO and was re-designated as the vice-chairman of the Company on 20 December 2018. He also holds directorship in certain subsidiaries of the Company. He has over 20 years' experience in strategic investment, corporate finance, budgeting analysis and capital management.

He is a shareholder and a director of 深圳市超能國際供應鏈管理股份有限公司 (Shenzhen Super Energy International Supply Chain Management Co., Ltd.*) (listed on the National Equities Exchange and Quotations, stock code: 836686). He held various positions with a wide range of sizeable companies. In particular, from September 2009 to December 2013, he acted as the vice president of Baoneng Investment and the general manager of 寶能商業有限公司 (Baoneng Commercial Co., Ltd.*).

From May 2005 to August 2009, he was the vice general manager of 深圳市星河房地產發展有限公司 (Shenzhen Galaxy Real Estate Development Co., Ltd*); and from April 1998 to April 2005 he was the assistant to chairman of the board of directors of 深圳市美地置業發展有限公司 (Shenzhen Meidi Real Estate Development Limited*). He graduated from the Department of Industrial Economics, Shaanxi Institute of Finance and Economics with a bachelor's degree in 1993.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Li Minbin

Executive Director

Mr. Li Minbin ("Mr. Li"), aged 38, joined the Company as the executive Director of the Company on 20 December 2018. He obtained a master degree of business administration in Chinese University of Hong Kong.

Mr. Li is currently the executive director of CGG who joined CGG in August 2015 as the non-executive director, and was later appointed as the executive director of CGG in November 2015. He also acts as the director of several subsidiaries of CGG.

From July 2004 to July 2010, he served as the assistant to manager of the investment department of Shum Yip Logistics. From December 2007 to October 2008, he served as the manager of the securities department of Baoneng Investment, responsible for investment research and securities management businesses. From July 2010 to March 2014, Mr. Li served as the supervisor, assistant to general manager and representative of securities affair, and from March 2014 to March 2016, as director, secretary to the board of directors of Baocheng Investment.

Ms. Xia Lingjie

Executive Director and CEO

Ms. Xia Lingjie ("Ms. Xia"), aged 31, joined the Company as the non-executive Director on 1 April 2016 and she was re-designated as the executive Director on 17 August 2016. On 20 December 2018, Ms. Xia resigned as the executive Director and was appointed as the CEO. On 27 March 2019, she was appointed again as the executive Director. Ms. Xia also holds directorship in certain subsidiaries of the Company.

Ms. Xia received a bachelor's degree in broadcasting, television and news from Wuhan University and a bachelor's degree in psychology from Central China Normal University. She graduated from Wuhan University with a master's degree in communication in 2011 and earned a master's degree in Global Journalism from University of Sheffield, UK in 2012. She was the assistant to general manager and deputy general manager of 深圳網電傳媒有限公司 (Shenzhen Wangdian Media Co., Ltd.*) from January 2014 to June 2016. From 2013 to 2014, she was the director of business operation of 深圳國盛文化傳媒有限公司 (Shenzhen Guosheng Culture and Media Co., Ltd.*)

Ms. Xia is a veteran in business management, fund management, and cultural media, especially experienced in company strategy formulation and execution, company operational management, investors' relationship management and capital management.

Mr. Lau Wan Po

Non-executive Director

Mr. Lau Wan Po ("Mr. Lau"), aged 43, joined the Company as the executive Director on 1 April 2016. On 18 November 2016, Mr. Lau was re-designated as the non-executive Director. He has about 20 years of experience in the investment banking industry focusing in the areas of initial public offering, merger and acquisition, corporate restructuring and other financial advisory services to listed companies in Hong Kong.

Mr. Lau has been the vice chairman and non-executive director of CGG since July 2018 and he was re-designated as the executive director in March 2019. Mr. Lau was the chairman of Huabang Securities Limited (formerly known as Qian Hai Securities Limited) between December 2015 and February 2019. He was also the vice chairman, the non-executive director and the executive director of Huabang Financial Holdings Limited (formerly known as Goldenmars Technology Holdings Limited) (Stock code: 3638) between January 2017 and October 2018. Mr. Lau acted as the managing director of Haitong International Capital Limited and Hai Tong Capital (HK) Limited from January 2010 to November 2015. Mr. Lau was also the executive director and head of investment banking division of CMB International Capital Holdings Corporation Limited from August 2008 to January 2010. Mr. Lau graduated from the City University of Hong Kong with a bachelor's degree in science and earned a master's degree in finance from Curtin University of Technology.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Wu Teng

Non-executive Director

Mr. Wu Teng ("Mr. Wu"), aged 54, was appointed as the non-executive Director on 24 August 2018. He obtained a certificate of completion in the EMBA (Master of Business Administration) from Renmin University of China (Shenzhen Research Institute) in 2008 and a certificate of degree in MBA (Master of Business Administration) from The University of Wales, Newport in the United Kingdom in 2012. Mr. Wu has over 28 years of experience in marketing and management of various corporations in the PRC.

Mr. Wu has been the vice president – business development of the Company since 1 April 2018. He has been the managing director in 廣東長江電纜有限公司 (Guangdong Changjiang Electric Cable Co., Ltd*) since February 2002. He acted as the China marketing director in 深圳市金悠然科技有限公司 (Royal Dental Laboratory Limited*) from April 2016 to February 2018. He served as the factory manager in 廣東省揭西長江電纜廠 (Guangdong Jiexi Changjiang Cable Factory*) from July 1990 to January 2002.

Ms. Zhan Yushan

Non-executive Director

Ms. Zhan Yushan ("Ms. Zhan"), aged 40, was appointed as the non-executive Director on 26 October 2018. She graduated from 中央廣播電視大學 (Central Television Broadcasting University of China*) in 2009 with a bachelor's degree in law.

Ms. Zhan has been formally appointed as the chief legal officer of the Company since 20 December 2018. Ms. Zhan has acted as the deputy general manager in 深圳市烽晟科技有限公司 (Shenzhen Feng Cheng Technology Company Limited*) since July 2016. She has also been the president of 深圳市藍思光電技術有限公司 (Shenzhen Lan Si Guang Technology Company Limited*) since December 2014. She served as the secretary to the president in general manager office of 深圳市南油開發建設有限公司 (Shenzhen Nanyou Development Construction Limited*) from December 2004 to December 2013.

Mr. Chen Kaiben

Non-executive Director

Mr. Chen Kaiben ("Mr. Chen"), aged 34, joined the Company as the non-executive Director on 20 December 2018. He graduated with a bachelor degree in business administration in Logistics and Supply Chain Management at the Guangdong University of Foreign Studies in the PRC.

Mr. Chen has been the non-executive director of CGG since November 2018. From June 2012 to March 2016, he respectively served as the supervisor, manager assistant of the securities department and representative of securities affairs of Baocheng Investment. From March 2016 to February 2018, he served as the deputy director of the operations management department of 深圳寶達金融服務有限公司 (Shenzhen Bao Da Financial Services Co., Ltd.*) and in March 2018, he was re-designated as the deputy director of the financial and securities department.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Chen Zetong

Independent Non-executive Director

Mr. Chen Zetong, aged 48, was appointed as the independent non-executive Director on 30 May 2016. He has extensive experience in areas including civil and commercial litigation and arbitration and dispute resolution, investment and financing as well as other legal affairs of business organization. He has previously served as a judge in the PRC in the commercial area for 16 years.

Mr. Chen Zetong is a practising Chinese lawyer. Since September 2012, he has been a senior partner of JunZeJun Law Offices in Beijing, mainly specializing in providing legal services for dispute resolutions, mergers and acquisitions and non-performing assets disposal. Since April 2016, he has been the director of China Practice of Nixon Peabody CWL in Hong Kong, specializing in Chinese Law. From May 2010 to September 2012, he was a partner of King & Wood Mallesons in Beijing. He has substantial experience in commercial arbitration and is currently an arbitrator of the South China International Economic and Trade Arbitration Commission and the Shenzhen Arbitration Commission. From 1994 to 2010, he served successively as a secretary, an assistant judge, a judge, a chief judge and a vice president of the Shenzhen Intermediate People's Court, responsible for commercial adjudication. He is currently the independent director of Hubei Sanxia New Building Material Co., Ltd, Fude Insurance Holdings Co., Ltd., Fude Sino Life Insurance Co., Ltd. and Sino Life Asset Management Co., Ltd.

Mr. Chen Zetong graduated from Southwest University of Political Science and Law in 1994 with a bachelor's degree in law. In 2003, he was awarded a master's degree in law (common law) from the University of Hong Kong, and in 2002 and 2008, a master's degree in law and a doctoral degree in law (civil and commercial law) from Jilin University, respectively.

Ms. He Suying

Independent Non-executive Director

Ms. He Suying ("Ms. He"), aged 53, was appointed as the independent non-executive Director on 30 May 2016. She obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics, majoring in infrastructure finance and credit, and a master's degree in economics from the investment and economics department of Dongbei University of Finance and Economics, majoring in investment and economical management. She possesses extensive experience in areas including internal audit, corporate financial analysis, management, investment decision-making and business consolidation.

Ms. He has over ten years of experience in corporate internal audit. Since May 2006, Ms. He has been working in 深圳市開寶資產管理有限公司 (Shenzhen Capall Asset Management Co., Ltd.*) as the executive director. She had been the director and the chief financial officer of the company. She concurrently serves as the independent director of 深圳市信立泰藥業股份有限公司 (Shenzhen Salubris Pharmaceuticals Co., Ltd.*). From January 2010 to July 2017, she served as the independent director of 大晟時代文化投資股份有限公司 (Dasheng Times Cultural Investment Co. Ltd.*). From 2011 to 2017, she was the independent director of 廣東恒興飼料股份有限公司 (Guangdong Evergreen Feed Industry Co., Ltd.*) and 雷賽智能控制股份有限公司 (Leadshine Technology Co., Ltd.*) in Shenzhen. From September 2007 to September 2013, she was the independent director of 美盈森集團股份有限公司 (MYS Group Co., Ltd.*). From August 2003 to December 2008, she served as the director of 深圳市賽格達聲股份有限公司 (Shenzhen Seg. Dasheng Co., Ltd.*) (now renamed as 深圳市全新好股份有限公司 (Shenzhen Quanxinhao Co., Ltd.*)).

Ms. He had previously served as the supervisor and the officer-in-charge of the auditing department of Weishen Securities Co., Ltd., a section chief of the auditing department of Shenzhen Branch, Guangdong Development Bank and the lecturer of the investment and finance department of Jiangxi University of Finance and Economics.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Dr. Tang Lai Wah

Independent Non-executive Director

Dr. Tang Lai Wah ("Dr. Tang"), aged 61, was appointed as the independent non-executive Director on 30 May 2016. She is a fellow member of the Association of Chartered Certified Accountants ("ACCA"), the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors and a member of the Hong Kong Independent Non-Executive Director Association. Dr. Tang holds a degree of Bachelor of Arts with honors in Accountancy, degree of Master of Business Administration (Executive) and degree of Doctor of Business Administration from the City University of Hong Kong.

Dr. Tang has over 30 years of accounting, corporate finance and financial management experience in telecommunication, media and information technology industries. Dr. Tang has been the chief financial officer and company secretary of Excel Technology International (Hong Kong) Limited ("Excel Technology") since 2002. She was the chief financial officer and company secretary of Hong Kong Jewellery Holding Limited (Currently known as Yu Tak International Holdings Limited) (Stock Code: 8048) from December 2002 to August 2014. Prior to joining Excel Technology, she was the group financial controller in companies listed on the Main Board of the Stock Exchange, including Star Telecom International Holdings Limited and South China Media Group. Dr. Tang has extensive experience in the merger and acquisition activities, the initial public offering on Main Board of the Stock Exchange, overseeing corporate governance and monitoring corporate compliance of the Listing Rules and regulations.

Dr. Tang has been appointed as a specialist and financial expert by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, a member of departmental advisory committee for the Department of Accountancy, City University of Hong Kong, and a director of Hong Kong Business Accountants Association. She is elected as committee member, chairman of student affairs sub-committee and convener of members' journal & communication task force of ACCA Hong Kong.

Mr. Wong Chun Bong

Independent Non-executive Director

Mr. Wong Chun Bong ("Mr. Wong"), aged 60, joined the Company as the independent non-executive Director on 20 December 2018. He holds a higher diploma in Accountancy from The Hong Kong Polytechnic, currently known as The Hong Kong Polytechnic University.

Mr. Wong has been the independent non-executive director of CGG since November 2009. Since May 2017, he has also acted as the independent non-executive director of Guangzhou R&F Properties Co., Ltd (Stock Code: 2777), a company listed on the main board of the Stock Exchange.

Mr. Wong is the founder of a firm of certified public accountants in Hong Kong. He is also a member of both the Council and Court of The Hong Kong Polytechnic University. He was the ex-chairman of the executive committee of ACCA Hong Kong. Mr. Wong is a fellow member of each of ACCA, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Institute of Chartered Accountants in England and Wales.

* *For identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT PROFILES

CHANGE IN INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the Company's last published interim report are set out as below:

Name of Director	Details of Changes
Mr. Yao Jianhui	— Appointed as the chairman and executive director of the Company, chairman of Nomination Committee and Development Committee and member of Salary Review Committee with effect from 20 December 2018.
	— Ceased to be the chairman of Nomination Committee and remained as member and appointed as the chairman of Investment Committee with effect from 27 March 2019.
Mr. Zhang Xiaodong	— Resigned as CEO and re-designated as the vice chairman of the Company, re-designated from the chairman to a member of Development Committee and Investment Committee and ceased to be the member of Salary Review Committee with effect from 20 December 2018.
Mr. Li Minbin	— Appointed as the executive Director, chairman of Investment Committee and member of Development Committee with effect from 20 December 2018.
	— Ceased to be the member of Development Committee with effect from 27 March 2019.
Ms. Xia Lingjie	— Resigned as the executive Director, appointed as the CEO and resigned as the member of Risk Management Committee with effect from 20 December 2018.
	— Appointed again as the executive Director with effect from 27 March 2019.
Mr. Lau Wan Po	— Resigned as the non-executive director of Huabang Financial Holdings Limited (Stock code: 3638) with effect from 8 October 2018.
	— Resigned as the chairman of Huabang Securities Limited with effect from 28 February 2019.
	— Re-designated as the executive director of CGG with effect from 1 March 2019.
	— Ceased to be the member of Investment Committee and Risk Management Committee with effect from 27 March 2019.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Wu Teng	—	Appointed as the member of Risk Management Committee with effect from 20 December 2018.
	—	Ceased to be the member of Risk Management Committee with effect from 27 March 2019.
Ms. Zhan Yushan	—	Appointed as the non-executive Director with effect from 26 October 2018.
	—	Appointed as the member of Risk Management Committee with effect from 20 December 2018.
Mr. Chen Kaiben	—	Appointed as the non-executive Director and member of Audit Committee with effect from 20 December 2018.
	—	Ceased to be the member of Audit Committee with effect from 27 March 2019.
Mr. Chen Zetong	—	Ceased to be the member of Audit Committee with effect from 20 December 2018.
	—	Ceased to be the member of Nomination Committee and Salary Review Committee with effect from 27 March 2019.
Ms. He Suying	—	Ceased to be the independent director of Dasheng Times Cultural Investment Co. Ltd. in July 2017.
	—	Ceased to be the chairman and re-designated as the member of Nomination Committee with effect from 20 December 2018.
Dr. Tang Lai Wah	—	Ceased to be the chairman and re-designated as the member of Audit Committee and ceased to be the member of Nomination Committee with effect from 20 December 2018.
Mr. Wong Chun Bong	—	Appointed as the independent non-executive Director, chairman of Audit Committee and member of Nomination Committee with effect from 20 December 2018.
	—	Re-designated as the chairman of Nomination Committee with effect from 27 March 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed “Directors and Senior Management Profiles”.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 24 of the consolidated financial statements. Details and respective analysis of the main business segments of the Group during the year ended 31 December 2018 are set out in note 10 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 94 to 95.

No interim dividend was declared during the Year (2018: Nil) and the Directors do not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed during the following period and during the period, no transfer of shares will be registered.

For the purpose of ascertaining the entitlement of the shareholders of the Company (the "Shareholders") to attend and vote at the 2019 Annual General Meeting, the Registers of Members of the Company will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019, both days inclusive.

In order to be eligible to attend and vote at the 2019 Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong for registration not later than 4:30 p.m. on Friday, 24 May 2019.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 5 to 8 and Management Discussion and Analysis on pages 9 to 13 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in note 6 to the consolidated financial statements. An analysis of the Group's performance during the Year using key financial performance indicators is provided on pages 9 to 10 of this Annual Report.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided on pages 62 to 82 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 December 2018 are set out in note 20 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 4. This summary does not form part of the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on page 98 and note 42 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2018, the contributed surplus and share premium accounts are distributable to the Shareholders provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Movements in the distributable reserves of the Company during the year ended 31 December 2018 are set out in note 42(b) to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Board may recommend dividends to the Shareholders, to allow the Shareholders to participate in the sharing of the Company's profits and the Company to retain adequate reserves for its future growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall take into account factors in all aspects including, the Company's current and future operations, liquidity position and capital requirements, as well as dividends received from the Company's subsidiaries and associates, which in turn will depend on the ability of those subsidiaries and associates to pay a dividend. The payment of dividend is also subject to any restrictions under the law of Cayman Islands and the Company's Articles of Association.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time, and Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

DONATION

During the Year, the Group made charitable and other donations amounting to HK$244,600 (2017: HK$13,520).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 30% of the total sales for the year and sales to the largest customer included therein amounted to 14%. The Group's five largest suppliers accounted for less than 29% of the total cost of services and among which 12% is attributable to the largest supplier for the Year.

Save as disclosed, none of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors of the Company during the Year and up to the date of this Annual Report were:

Executive Directors

Mr. Yao Jianhui (appointed on 20 December 2018)
Mr. Zhang Xiaodong
Mr. Li Minbin (appointed on 20 December 2018)
Ms. Xia Lingjie (resigned on 20 December 2018 and appointed again on 27 March 2019)

Non-Executive Director

Mr. Lau Wan Po
Mr. Wu Teng (appointed on 24 August 2018)
Ms. Zhan Yushan (appointed on 26 October 2018)
Mr. Chen Kaiben (appointed on 20 December 2018)

Independent Non-Executive Directors

Mr. Chen Zetong
Ms. He Suying
Dr. Tang Lai Wah
Mr. Wong Chun Bong (appointed on 20 December 2018)

Pursuant to Article 84 of the Company's Articles of Association, Mr. Zhang Xiaodong, Mr. Chen Zetong, Ms. He Suying and Dr. Tang Lai Wah will retire from office by rotation at the 2019 Annual General Meeting (the "AGM"). Mr. Zhang Xiaodong, Ms. He Suying and Dr. Tang Lai Wah, being eligible, will offer themselves for re-election at the AGM, whereas Mr. Chen Zetong will not stand for re-election.

Pursuant to Article 83(3) of the Company's Articles of Association, Mr. Yao Jianhui, Mr. Li Minbin, Ms. Xia Lingjie, Mr. Wu Teng, Ms. Zhan Yushan, Mr. Chen Kaiben and Mr. Wong Chun Bong were appointed after the last general meeting and they shall hold office until the AGM and then be eligible for re-election at the AGM. Mr. Yao Jianhui, Ms. Xia Lingjie, Ms. Zhan Yushan and Mr. Wong Chun Bong, being eligible, will offer themselves for re-election at the AGM, whereas Mr. Li Minbin, Mr. Wu Teng and Mr. Chen Kaiben are not willing to offer themselves for re-election and accordingly will resign immediately at the conclusion of the AGM.

REPORT OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence to Rule 3.13 of the Listing Rules) and as at the date of this report still considers that all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

All of the executive Directors and non-executive Director had respectively entered into a service contracts with the Company. Details of the service contracts include: (1) a term of directorship for three years with effect from the date of appointment, reappointment or re-election; and (2) the contracts shall be terminated according to the terms of each contract.

Each of the independent non-executive Directors had signed a letter of appointment with the Company. Details of the letter of appointments mainly include: (1) a term of directorship for three years with effect from the date of appointment, reappointment or re-election; and (2) the letter of appointment shall be terminated according to the terms of each letter of appointment.

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director, other officer and auditor shall be entitled to be indemnified out of assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, Auditor or other officer of the Company about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors and officers of the Company.

REMUNERATION POLICY

The remuneration policy of the Group is set up by Salary Review Committee on the basis of their merit, qualifications and competence.

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 44 to the consolidated financial statements.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the Year are set out in notes 14 and 15 to the consolidated financial statements respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN ORDINARY SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

(a) Interests and short positions in Shares and underlying Shares in the Company

Number of shares/underlying shares held in the Company

Name of Director	Capacity in which interests are held	Interests in Shares	Equity derivatives (Share Options)	Total interests	Approximate percentage of issued share capital of the Company[4]	Notes
Yao Jianhui	Corporate Interest	1,185,150,787 (L)	–	1,186,464,787 (L)	29.22%	1
	Beneficial Owner	1,314,000 (L)	–			
Zhang Xiaodong	Corporate Interest	758,558,639 (L)	–	760,033,639 (L)	18.72%	2
	Beneficial Owner	1,475,000 (L)	–			
Wu Teng	Corporate Interest	749,146,972 (L)	–	749,146,972 (L)	18.45%	3
Li Minbin	Beneficial Owner	306,500 (L)	–	306,500 (L)	0.01%	

Notes:

1. As at 31 December 2018, these Shares are beneficially owned by Hong Kong Bao Xin Asset Management Limited being interested in 19,870,000 Shares, Hong Kong Bao Da Financial Holdings Limited being interested in 1,144,151,739 Shares and Glory Sun Securities Limited being interested in 21,129,048 Shares (formerly known as China Goldjoy Securities Limited). Hong Kong Bao Xin Asset Management Limited and Hong Kong Bao Da Financial Holdings Limited are wholly-owned subsidiary of CGG, while Glory Sun Securities Limited is a non-wholly owned subsidiary of CGG in which CGG holds 57.6% effective interest.

   As at 31 December 2018, since Mr. Yao Jianhui, being the chairman and executive director of the Company, through Tinmark Development Limited, a wholly-owned subsidiary of him, is a controlling shareholder of CGG (as defined in the Listing Rules). He (through Tinmark Development Limited) is deemed to be interested in the 1,185,150,787 Shares held by CGG.

   On 17 January 2019, Hong Kong Bao Xin Asset Management Limited entered into the sale and purchase agreement with, among other parties, Mr. Zhang Xiaodong, Upright Hoist Limited and Tengyue Limited, pursuant to which it conditionally agreed to purchase an aggregate of 1,509,180,611 Shares (which was changed to 1,508,505,611 Shares subsequently) from Mr. Zhang Xiaodong, Upright Hoist Limited and Tengyue Limited. Completion is conditional upon the fulfilment (or waiver) of the conditions described in the joint announcement. For details, please refer to the joint announcements of the Company dated 21 January 2019 and 18 March 2019 respectively.

2. Upright Hoist Limited holds 758,558,639 Shares. Upright Hoist Limited is a company wholly and beneficially owned by Mr. Zhang Xiaodong, the executive Director and the vice chairman of the Company. Mr. Zhang Xiaodong is deemed to be interested in 758,558,639 Shares owned by Upright Hoist Limited by virtue of the SFO. On 17 January 2019, Mr. Zhang and Upright Hoist Limited, among other parties, entered into the sale and purchase agreement with Hong Kong Bao Xin Asset Management Limited, pursuant to which they conditionally agreed to sell an aggregate of 760,033,639 Shares (which was changed to 759,358,639 Shares subsequently) to Hong Kong Bao Xin Asset Management Limited. Completion is conditional upon the fulfilment (or waiver) of the conditions described in the joint announcement. For details, please refer to the joint announcements of the Company dated 21 January 2019 and 18 March 2019 respectively.

3. Tengyue Limited holds 749,146,972 Shares. Tengyue Limited is a company wholly and beneficially owned by Mr. Wu Teng, the non-executive Director of the Company. Mr. Wu Teng is deemed to be interested in the 749,146,972 Shares owned by Tengyue Limited by virtue of the SFO. On 17 January 2019, Tengyue Limited entered into the sale and purchase agreement with Hong Kong Bao Xin Asset Management Limited among other parties, pursuant to which, it conditionally agreed to sell 749,146,972 Shares to Hong Kong Bao Xin Asset Management Limited. Completion is conditional upon the fulfilment (or waiver) of the conditions described in the joint announcement. For details, please refer to the joint announcement of the Company dated 21 January 2019.

4. As at 31 December 2018, the total issued share capital of the Company amounted to 4,059,556,212 Shares.

Abbreviations: "L" stands for long position

Save as disclosed above, as at 31 December 2018, none of the Directors nor the chief executive of the Company or their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2018, save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Ordinary Shares, Underlying Shares and Debentures", the Directors and the chief executive of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

2014 Share Option Scheme

On 26 March 2014, the Company adopted a new share option scheme (the "2014 Share Option Scheme") and the major terms of the 2014 Share Option Scheme were summarised as follows:

(a) Purpose of the 2014 Share Option Scheme

The purpose of the 2014 Share Option Scheme was (i) to attract and retain the best quality personnel for the development of the Company's businesses; (ii) to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and (iii) to promote the long term financial success of the Company by aligning the interests of option holders to Shareholders.

(b) Participants of the 2014 Share Option Scheme

Pursuant to the 2014 Share Option Scheme, the Company may at its absolute discretion grant options to any employee, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or its subsidiaries (including any director, whether executive or non-executive and whether independent or not, of the Company or its subsidiaries) who is in full-time or part-time employment with the Company or its subsidiaries at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group.

(c) Total number of Shares available for issue under the 2014 Share Option Scheme

The total number of Shares may be granted under the 2014 Share Option Scheme is 24,691,756 Shares after adjustments for share subdivision in 2015 and share consolidation in 2017, which represents 0.61% of the total number of Shares in issue at the date of this report.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2014 Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of Shares in issue, unless approved by the Shareholders in the manner as stipulated in the 2014 Share Option Scheme.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the 2014 Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the 2014 Share Option Scheme.

(f) The subscription price per Share

The subscription price per Share in respect of an option granted under the 2014 Share Option Scheme is such price as determined by the Board at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the Share as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date on which the options are offered; and
- the nominal value of a Share on the date on which the options are offered.

(g) Payment on acceptance of option

A non-refundable sum of HK$10 or other amount as determined by the Board by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option.

(h) Duration of the 2014 Share Option Scheme

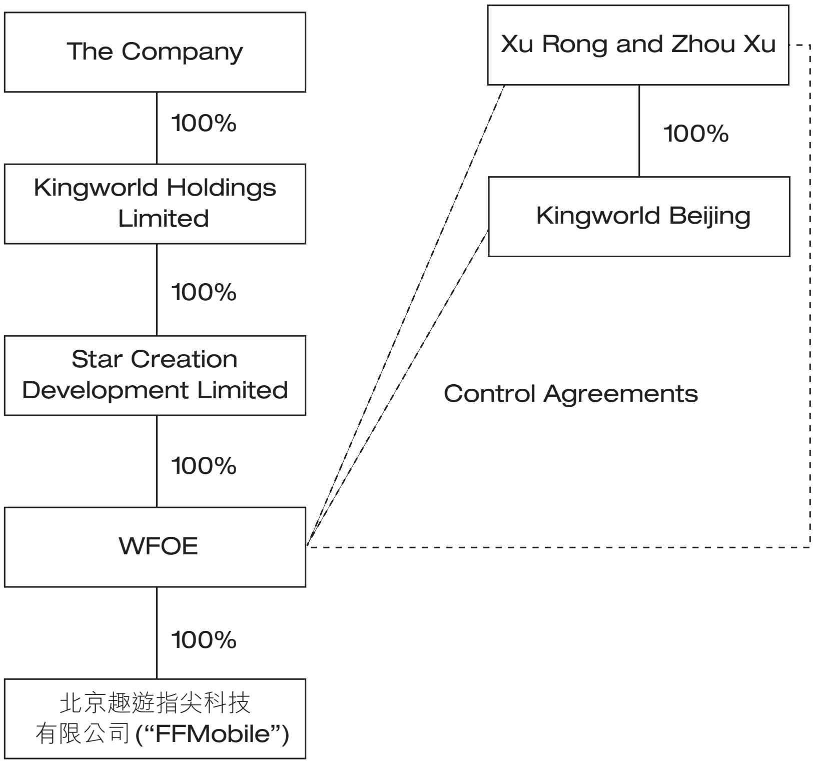
The 2014 Share Option Scheme will remain in force for a period of 10 years from its adoption date (i.e. 26 March 2014). The 2014 Share Option Scheme will terminate or expire (as the case may be) on the earlier of (i) the approval of the Shareholders in a general meeting, and (ii) at the close of business on the day immediately preceding the tenth anniversary of the adoption date (the "Scheme Period").

After the Scheme Period, the Company cannot grant new options but for so long as there are options granted but not yet exercised, outstanding vested or unvested options, the 2014 Share Option Scheme will remain in full force and effect of such outstanding vested or unvested options or otherwise as may be required in accordance with the 2014 Share Option Scheme. As at the date of this report, a total of 31,100,000 share options (after adjustments for share subdivision in 2015 and share consolidation in 2017) had been granted by the Company under the 2014 Share Option Scheme. The number of outstanding share options as at 31 December 2018 is nil.

CONTROL AGREEMENTS

With reference to the Company's circular dated 4 December 2015, 九合無限(北京)體育科技有限公司 (the "WFOE"), being a wholly-owned subsidiary of the Company, entered into a series of control agreements (the "Control Agreements") as set out in the sub-section headed "Details of the Control Agreements" in relation to the operation of the business regarding internet information services, network culture business operation and internet publication. Taking into account of the advice of the PRC legal adviser, the Board is of the view that the entering into the Control Agreements could enable the Group to effectively gain control over the finance and economic interest and benefits of Kingworld (Beijing) Technology Co., Ltd. ("Kingworld Beijing").

The following diagram shows the simplified structure chart of the Control Agreements as at 31 December 2016:



Notes:

" ——————— " denotes legal or beneficial ownership

" - - - - - - - - - - " denotes contractual relationship

Particulars of Kingworld Beijing and its registered owners of equity interests in Kingworld Beijing

Kingworld Beijing is a company established under the laws of the PRC. As at 31 December 2018, the registered business scope of Kingworld Beijing includes such businesses as internet information services, network culture business operation and internet publication, and correspondingly, Kingworld Beijing holds the Internet Content Provider License（中華人民共和國增值電信業務經營許證）, the Network Culture Business Permit（網絡文化經營許可證）and the Internet Publication License（互聯網出版許可證）for conducting such businesses. As at 31 December 2018, the entire equity interest in Kingworld Beijing is owned as to 60% by Zhou Xu and 40% by Xu Rong.

Reasons for entering into the Control Agreements

The primary purpose for the Group to enter into the Control Agreements is to enable the Group to engage the principal business of Kingworld Beijing, such as (1) the internet information services, (2) the network culture business operation and (3) publication, sales, development of and investment in internet and mobile interaction entertainment products.

Pursuant to the Regulation on Telecommunications of the PRC（《中華人民共和國電信條例》）, internet information service is categorised as value-added telecommunications business, and according to the Catalogue of Industries for Guiding Foreign Investment (2015 Revision)（《外商投資產業指導目錄（2015年修訂）》）(the "2015 Catalogue"),the foreign ownership in the PRC companies operating such business (excluding e-commerce) cannot exceed 50%. In addition, the 2015 Catalogue further provides that the foreign investors are completely prohibited to conduct the network culture business operation and the internet publication business. Therefore, the Company's PRC legal adviser is of the view that the WFOE, as a foreign-owned company, is not allowed to hold the entire equity interests of Kingworld Beijing under the PRC laws. Therefore, the registered holder(s) of equity interest in Kingworld Beijing as at 31 December 2016 were Zhou Xu and Xu Rong, who are PRC individuals. For details of the PRC laws relating to the principal business of Kingworld Beijing, please refer to the circular of the Company dated 4 December 2015.

As advised by the Company's PRC legal adviser, the Control Agreements comply with the PRC laws, rules and regulations applicable to the business of the WFOE and Kingworld Beijing (including the 2015 Catalogue), do not contravene the articles of association of the WFOE and Kingworld Beijing respectively, and would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC contract law. The Control Agreements are valid and enforceable against the parties to the Control Agreements. The Company's PRC legal adviser also confirms that all necessary actions or steps have been taken to enable it to reach its legal conclusions. Up to 31 December 2018, the WFOE should not encounter any interference or encumbrance from any governing bodies in operating its business through Kingworld Beijing under the Control Agreements.

Requirements related to Control Agreements (other than relevant foreign ownership restrictions) as at 31 December 2018

In addition to the relevant foreign ownership restrictions, the operation of the business regarding internet information services, network culture business operation and internet publication is required to hold a variety of permits and licenses, which, among others, include:

Internet Content Provider License (the "ICP License")(《中華人民共和國增值電信業務經營許可證》). Under current PRC laws and regulations, including the Telecommunications Regulations and the Internet Measures, a commercial operator of internet content provision services must obtain a value-added telecommunications business-operating license for Internet content provision from the appropriate telecommunications authorities in order to carry on any commercial Internet content provision operations in the PRC. All online game publishing platforms in the PRC are required to obtain such licenses.

Network Culture Business Permit(《網絡文化經營許可證》). With respect to the online game industry in the PRC, since online games fall within the definition of "Internet culture products" under the Provisional Regulations for the Administration of Online Culture(《互聯網文化管理暫行規定》), which were issued by the Ministry of Culture (the "MOC") and took effect on April 1, 2011 (the "Online Culture Regulations") and replaced the Provisional Regulations for the Administration of Online Culture which had been in effect since 2003, a commercial operator of online games must obtain an Network Culture Business Permit in addition to the ICP License, from the appropriate culture administrative authorities for its operation of online games. All online game publishing platforms in the PRC are required to obtain such licenses.

Internet Publication License(《互聯網出版許可證》). General Administration of Press and Publication of the PRC (the "GAPP") and the Ministry of Industry and Information and Technology (the "MIIT") jointly impose a license requirement for any company that intends to engage in Internet publication. Internet publication is defined as any act by an Internet content provider to select, edit and process content or programs and to make such content or programs publicly available on the Internet. According to the Tentative Measure for Internet Publication Administration(《互聯網出版管理暫行規定》), which were jointly promulgated by the GAPP and the MIIT and took effect in 2002 and other relevant regulations, the publication of online games is deemed an internet publication activity. Therefore, an internet content provider, such as an online game developer, needs to obtain an internet publication license in order to engage in Internet publication for online games.

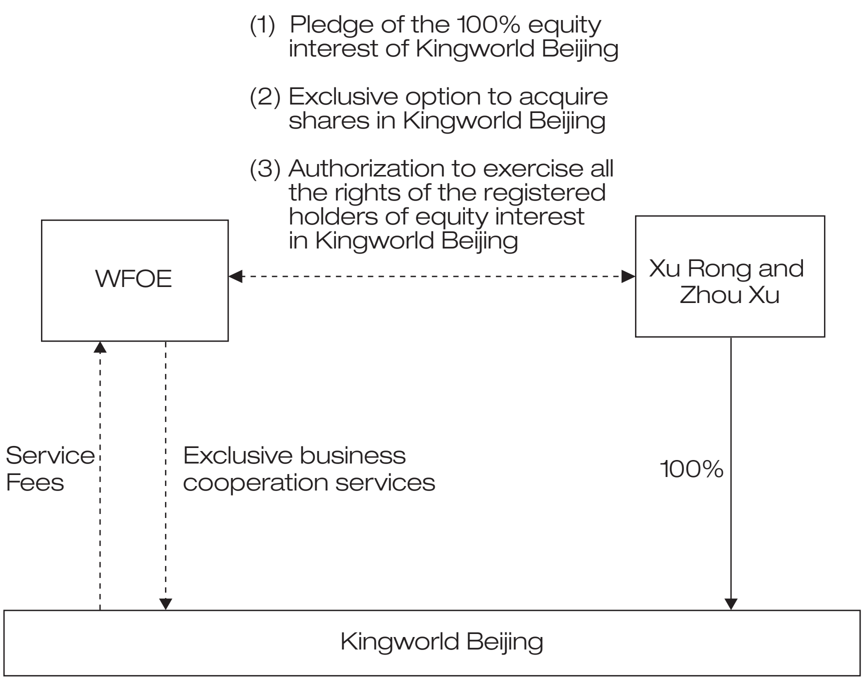
Furthermore, the Notice on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the 'Three Provisions' jointly promulgated by the MOC, the State Administration of Radio Film and Television ("SARFT"), and the GAPP(《中央編辦對文化部、廣電總局、新聞出版總署「三定」規定中有關動漫、網路遊戲和文化市場綜合執法的部分條文的解釋》)("the Interpretation"), which was issued by the State Commission Office for Public Sector Reform (a division of the State Council) and became effective on September 7, 2009, provides that the GAPP will have responsibility for the examination and approval over the publication of online games before they are uploaded on the Internet and that, after such upload, online games will be administered by the MOC. Further, the Interpretation emphasises that the MOC is the sole regulatory authority for the online games' operation, and that even if an online game is launched on the Internet without prior approval of the GAPP, the MOC (instead of the GAPP) has the direct authority for investigation and enforcement.

The Notice Regarding the Consistent Implementation of the "Regulation Stipulations on Three Provisions" of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games(《關於貫徹落實國務院「三定」規定和中央編辦有關解釋，進一步加強網路遊戲前置審批和進口網絡遊戲審批管理的通知》), promulgated by the GAPP, together with the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications, on September 28, 2009 (the "GAPP Notice"), provides in its Article 4, that foreign investors are not permitted to invest or engage in online game operations in China through wholly-owned subsidiaries, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other joint venture companies, establishing contractual arrangements or providing technical support. However, the Company is unaware that any implementation rule or interpretation on Article 4 of the GAPP Notice has been issued by the GAPP or any other PRC regulatory authority.

Additionally, as the Company is aware, in practice, the State Administration of Press, Publication, Radio, Film and Television (the "SAPPRFT") or its Beijing branch has never, individually or collectively with other PRC regulatory authorities, imposed any administrative proceedings or penalties on any online game company pursuant to the Article 4 of the GAPP Notice and Beijing Department of Culture is deemed as the sole regulatory authority to regulate the online gaming industry in Beijing, as to whether the contractual arrangements violate the relevant PRC laws and regulations on foreign investment in online gaming industry.

Details of the Control Agreements

The following simplified diagram illustrates the flow of economic benefits from the Kingworld Beijing to the WFOE stipulated under the Control Agreements:



Notes:

"———►" denotes direct legal and beneficial ownership in the equity interest

"- - - - ►" denotes contractual relationship under the Control Agreements

The details of the Control Agreements are summarised as follows:

(1) Exclusive Business Cooperation Agreement (獨家業務合作協議)

Date 4 December 2015

Parties (i) WFOE

(ii) Kingworld Beijing

(iii) Xu Rong

(iv) Zhou Xu

Term The Exclusive Business Cooperation Agreement has become effective on the date of its signing. The term of the Exclusive Business Cooperation Agreement shall be ten (10) years and can only be terminated if, among others:

(i) upon the date of expiration; and

(ii) upon serving a 30-day notice by the WFOE.

After the execution of the Exclusive Business Cooperation Agreement, the parties shall review the Exclusive Business Cooperation Agreement every three (3) months to determine whether to amend or supplement the provisions in the said agreement based on the actual circumstances at that time.

Subject Pursuant to the Exclusive Business Cooperation Agreement, the WFOE is engaged by Kingworld Beijing as the latter's exclusive service provider to provide Kingworld Beijing with technical support, management consulting services and other commercial services, which fall within the business scope of Kingworld Beijing as may be determined from time to time by the WFOE. The business scope of Kingworld Beijing include internet data service, publication of internet online games etc.

In consideration of the services provided by WFOE, Kingworld Beijing shall pay monthly to the WFOE service fees equal to 100% of the net profits of Kingworld Beijing or the amount agreed by WFOE.

(2) Exclusive Option Agreement（獨家購買權合同）

Date 4 December 2015

Parties (i) WFOE

(ii) Kingworld Beijing

(iii) Xu Rong

(iv) Zhou Xu

Term The Exclusive Option Agreement has become effective on the date of its signing, and shall remain effective for a term of ten (10) years, and may be renewed at the WFOE's election.

(i) Pursuant to the Exclusive Option Agreement, the registered holders of the equity interest in Kingworld Beijing agreed to irrevocably grant the WFOE an irrevocable and exclusive right to purchase, or to designate one or more person(s) to purchase, insofar as permitted under applicable PRC laws and regulations, the respective equity interests in Kingworld Beijing from the registered holders of equity interest once or at multiple times at any time in part or in whole at the discretion of the WFOE.

(ii) The registered holders of the equity interest in Kingworld Beijing shall, upon request from the WFOE at any time, immediately and unconditionally transfer their equity interest (in whole or in part through one or more transactions) in Kingworld Beijing to such representative(s) as nominated by the WFOE.

(iii) The registered holders of the equity interest in Kingworld Beijing undertake that, among other things, they will not:

(a) authorise any sale, transfer, pledge, disposal or creation of any encumbrances over their legal or beneficial interests in Kingworld Beijing, save in respect of the pledge of equity interest to the WFOE in accordance with the terms of the Equity Interest Pledge Agreement; or

(b) approve or authorise Kingworld Beijing for any merger, amalgamation, acquisition or make any investments.

(iv) The Exclusive Option Agreement also sets out detailed provisions that prohibit Kingworld Beijing to act without the prior written approval from the WFOE.

(3) Loan Agreement (貸款協議)

Date	4 December 2015	
Parties	(i)	WFOE
	(ii)	Xu Rong
	(iii)	Zhou Xu
Term	The term of the Loan Agreement is ten (10) years commencing on the date on which Xu Rong and Zhou Xu receive payment of the loan amount under the Loan Agreement, and may be extended upon the written agreement of the parties through negotiations. During the term or extended term of the Loan Agreement, the WFOE may accelerate the loan repayment if any of the following events occurs:	
	(i)	any of Xu Rong or Zhou Xu dies or becomes disabled;
	(ii)	any of Xu Rong or Zhou Xu commits a crime or is involved in a crime;
	(iii)	any of Xu Rong or Zhou Xu has incurred any individual indebtedness over RMB500,000 without prior consent of the WFOE;
	(iv)	the WFOE or its designated party has successfully acquired the entire equity interest in the Kingworld Beijing; and
	(v)	other reasons as determined by the WFOE.
Subject	(i)	Under the Loan Agreement, the WFOE grants the holders of equity interest of Kingworld Beijing a loan in the amount of RMB15,966,030.
	(ii)	The interest rate shall be equal to the annual lending guidance rate published by the People's Bank of China from time to time.
	(iii)	The loan may, upon the request of the WFOE, be repaid by means of transferring the registered holders' equity interests in Kingworld Beijing to the WFOE or any of its designated party(ies), in proportion to the amount of the loan to be repaid by such registered holder(s).

(4) Equity Interest Pledge Agreement（股權質押合同）

Date 4 December 2015

Parties (i) WFOE

(ii) Kingworld Beijing

(iii) Xu Rong

(iv) Zhou Xu

Term The pledge under the Equity Interest Pledge Agreement shall become effective on the date on which the pledge of the equity interest has been registered with relevant administration for industry and commerce (the "AIC"). The said pledge shall be continuously valid until all payments due under the Exclusive Business Cooperation Agreement have been paid by Kingworld Beijing and all payments due under the Loan Agreement have been paid by both Xu Rong and Zhou Xu.

Subject Pursuant to the Equity Interest Pledge Agreement, the registered holders of equity interest in Kingworld Beijing agreed to pledge the entire equity interest of Kingworld Beijing to the WFOE, as security for the payment obligations of Kingworld Beijing under the Exclusive Business Cooperation Agreement and of the registered holders of equity interest in Kingworld Beijing under the Loan Agreement. Under the Equity Interest Pledge Agreement, except with prior written consent of the WFOE or pursuant to the terms of the Exclusive Option Agreement, the registered holders of equity interest in Kingworld Beijing are prohibited from transferring any of their equity interest in Kingworld Beijing, or creating or allowing any creation of any other pledge over the equity interest in Kingworld Beijing.

(5) Power of Attorney（授權委託書）

Date 4 December 2015

Parties A Power of Attorney signed by each of the person below in favour of the WFOE:

(i) Xu Rong

(ii) Zhou Xu

Term This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as Xu Rong and Zhou Xu respectively remain as the registered holders of equity interest in Kingworld Beijing.

Subject Pursuant to the Power of Attorney, WFOE and any of its authorised directors, successors or liquidators is authorised to act on behalf of Xu Rong and Zhou Xu as their exclusive agent and attorney with respect to all matters concerning their equity interests in Kingworld Beijing, including without limitation to: (1) propose, convene and attend equity interest holders' meetings of Kingworld Beijing; (2) exercise all the equity interest holders' rights and voting rights Xu Rong and Zhou Xu are entitled to as registered holders of equity interest in Kingworld Beijing under the laws of the PRC and articles of association of Kingworld Beijing, including but not limited to the sale or transfer or pledge or disposition of their equity interest in part or in whole; (3) designate and appoint on behalf of Xu Rong and Zhou Xu the legal representative (chairperson), directors, executive directors, supervisors, the chief executive officer and other senior management members of Kingworld Beijing; (4) sign minutes and file documents with the relevant companies registry(ies); (5) exercise voting rights on the winding up of Kingworld Beijing on behalf of the registered holders of equity interest in Kingworld Beijing; and (6) participate in and be entitled to the distribution of the remaining assets of Kingworld Beijing upon the winding up of Kingworld Beijing on behalf of the registered holders of equity interest in Kingworld Beijing.

(6) Spouse Consent Letter（配偶同意函）

Date 4 December 2015

Parties A Spouse Consent Letter to be signed by each of the persons below:

(i) The spouse of Xu Rong

(ii) The spouse of Zhou Xu

Subject Pursuant to each of the Spouse Consent Letter, the spouse of each of Xu Rong and Zhou Xu, respectively, among other things, agrees, among others, to (i) waive his/her claim over the ownership of the equity interest in Kingworld Beijing held by his/her spouse, (ii) take all necessary action to ensure the due execution of the Control Agreements, and (iii) provide joint and several liabilities by his/her spouse to WFOE in relation to his/her obligations under the Control Agreements.

The risks associated with Control Agreements and the actions taken by the Company to mitigate the risks

For details of the risks associated with the Control Agreements, please refer to the section headed "RISK FACTORS IN RELATION TO THE CONTROL AGREEMENTS" as disclosed in the circular of the Company dated 4 December 2015.

The Company takes the following actions to mitigate the risks:

The Control Agreements contain certain provisions in order to exercise effective control over and to safeguard the assets of Kingworld Beijing, including but not limited to that, without the prior written consent of the WFOE, the registered holders of equity interest in Kingworld Beijing shall not at any time sell, transfer, pledge, or otherwise dispose or create any encumbrances over the legal or beneficial interests of Kingworld Beijing, Kingworld Beijing shall conduct its business in ordinary and usual course to preserve the asset value of Kingworld Beijing and shall not engage in any action (or inaction) which may have any adverse effect on the business, operations and asset value of Kingworld Beijing, and etc. Besides, Kingworld Beijing's directors, legal representative, general manager, chief financial officer and other executives may be appointed under the WFOE's recommendations and such senior management will have the physical possession of all Kingworld Beijing's common seals, company chops and books and records.

Having considered that the relevant senior management team possesses relevant experience and industry knowledge in the business operation of Kingworld Beijing the WFOE would retain the senior management team of Kingworld Beijing. The senior management team of Kingworld Beijing has terminated the service contracts with Kingworld Beijing and entered into new service contracts with the WFOE. The WFOE has then recommended Kingworld Beijing to re-appoint the relevant senior management. As a result, the senior management of Kingworld Beijing will effectively be under the control and instruction of the WFOE.

Economic risks the WFOE bears as the primary beneficiary of Kingworld Beijing, financial support to Kingworld Beijing and potential exposure of Kingworld Holdings to losses.

As the primary beneficiary of Kingworld Beijing, the WFOE bears economic risks which may arise from difficulties in the operation of Kingworld Beijing's business. The WFOE will share both profit and loss of Kingworld Beijing. Under the Control Agreements, the WFOE shall provide financial support in the event of financial difficulty of Kingworld Beijing. On the other hand, the WFOE shall have the sole and absolute discretion to decide and resolve whether to continue the business and operations of Kingworld Beijing, and Kingworld Beijing must unconditionally agree to such decision as determined by the WFOE.

The Second Supplemental Agreement

On 27 February 2017, the parties to the Share Purchase Agreement and Shenzhen Baoxin Sport Industry Limited*（深圳寶新體育產業有限公司）(Baoxin Sport), a subsidiary of the Company, entered into a second supplemental agreement (the "Second Supplemental Agreement") to amend certain terms and set out additional terms of the Share Purchase Agreement which are, among others, as follows:

1. **Change of purchaser under the Share Purchase Agreement**

   Each of the parties to the Second Supplemental Agreement (collectively, the "Parties") irrevocably agree and ratify that the purchaser under the Share Purchase Agreement shall be changed from the New Sports Investment Holding Limited (formerly known as "SinoCom Investment Holding Limited") ("Buyer") to the Company, and the Company shall be entitled to all of the rights, and shall discharge all of the obligations, of the Buyer under the Share Purchase Agreement in place of the Buyer.

2. Confirmation of the Adjustment Amount

The Parties confirm that the 2016 Net Profit After Tax as stated in the latest draft of the accounts of the Kingworld Holdings and its subsidiaries for the financial year ended 31 December 2016 issued by the auditors appointed by the Buyer pursuant to the Share Purchase Agreement (the "Latest Draft Accounts") is RMB19,189,027, and according to the formula set out in the Share Purchase Agreement, the tentative Adjustment Amount is RMB244,865,838. The final Adjustment Amount will be determined based on the 2016 Net Profit After Tax as stated in the Final 2016 Audited Accounts. Should there be any difference between the respective amount of the 2016 Net Profit After Tax as set out in the Latest Draft Accounts and the Final 2016 Audited Accounts, adjustment equal to such differences will be made to the 5th tranche of the payment instalment as shown below. In that regard, since the 2016 Net Profit After Tax as stated in the Final 2016 Audited Accounts has been confirmed to be RMB19,903,084 ultimately, the relating difference of RMB4,284,342 will then be adjusted by the 5th tranche of the payment instalment. As a result, the exact amount of the 5th tranche of the payment instalment should become RMB40,581,496 accordingly.

3. Payment Schedule of the Adjustment Amount

Pursuant to the Second Supplemental Agreement, Xu Rong, Zhou Xu and Century Edge International Limited（世鋒國際有限公司）(the "Seller") have agreed to jointly pay the Adjustment Amount in cash to the Company in 5 tranches according to the payment schedule as follows:

1st tranche: RMB80,000,000 before 15 March 2017

2nd tranche: RMB40,000,000 before 15 May 2017

3rd tranche: RMB40,000,000 before 15 July 2017

4th tranche: RMB40,000,000 before 15 September 2017

5th tranche: RMB44,865,838* before 15 November 2017

* (finally adjusted downwards to RMB40,581,496)

In the event that Xu Rong, Zhou Xu and the Seller fail to pay any of the tranches of the Adjustment Amount in full by the deadlines stated above but subsequently pay such tranche(s) of the Adjustment Amount in full before the next tranche (excluding the 5th tranche) of the Adjustment Amount becomes due, a daily interest will accrue at a rate of 5/10000 upon the outstanding tranche payment as damages payable by Xu Rong, Zhou Xu and the Seller to the Company. In the event that Xu Rong, Zhou Xu and the Seller fail to pay any outstanding amount (including any tranches of the Adjustment Amount and related damages) prior to the deadline for the payment of the next tranche of the Adjustment Amount, in accordance with the payment schedule set out above, the Company shall have the right to declare that the subsequent tranche(s) of the Adjustment Amount shall fall due and become immediately repayable. Further, a daily interest will accrue at a rate of 5/10000 from the date when the outstanding tranche payment first becomes due until the Adjustment Amount is paid in full as damages payable by Xu Rong, Zhou Xu and the Seller to the Company. Xu Rong, Zhou Xu and the Seller shall also pay to the Company all the costs and expenses incurred by the Company in relation to the enforcement of the Adjustment Amount and all other economic loss suffered by the Company arising out of the non-payment of the Adjustment Amount in full.

4. **Dispute resolution**

The Parties agree that in the event of dispute arising from the Share Purchase Agreement and/or the Second Supplemental Agreement, Baoxin Sport has the right to commence legal proceedings against Xu Rong, Zhou Xu and the Seller on behalf of the Company and the relevant beneficiaries in such legal proceedings, and all of the rights and obligations arising thereunder shall be exercised and discharged by Baoxin Sport.

On 24 May 2017, the Company, through Baoxin Holdings Company Limited*（寶新控股有限公司）("Baoxin Holdings" formerly known as Baoxin Sport) being the Plaintiff, commenced PRC legal proceedings against Xu Rong and Zhou Xu (the "Defendant") for recovery of a defaulted sum of RMB80,000,000 (i.e. the 1st tranche of the Adjusted Amount) together with the related accrued interests in the Middle Civil Court of Shenzhen *（深圳中級人民法院）(the "Court") in accordance with the Second Supplemental Agreement.

Material Change

Commencement of Legal Proceedings in the PRC

With reference to the Company's announcement dated 7 December 2018, Xu Rong and Zhou Xu and the Seller have failed to pay the 1st tranche, the 2nd tranche, the 3rd tranche, the 4th tranche and the 5th tranche of the Adjustment Amount stipulated in the Second Supplemental Agreement.

Further, Baoxin Holdings has applied successfully for the Court order for freezing several immovable properties and bank accounts of the Defendants as a measure of security in preserving the Defendants' assets pending the relevant decision of the Court in the Legal Action.

On 7 December 2018, the Company and Baoxin Holdings, among others, have entered into a settlement agreement (the "Settlement Agreement") in relation to the recovery of the 1st tranche of the Adjustment Amount under the Second Supplemental Agreement as being subject to the Legal Action. The Settlement Agreement shall be filed to the Court within five (5) days from the date of the Settlement Agreement for the issuance of a mediation agreement by the Court (the "Mediation Agreement").

THE SETTLEMENT AGREEMENT

The Board announced that after trading hours on 7 December 2018, the Company, Baoxin Holdings, and the Defendants, among other parties, had entered into the Settlement Agreement, pursuant to which, among other things, the principal terms are as follows:

1. The Basic Framework

(i) The total settlement sum under the Settlement Agreement being RMB110,000,000 (the "Settlement Amount") shall be paid by four (4) installments;

(ii) The Defendant shall endeavor to introduce an interest third party to purchase the entire issued share capital of Kingworld Holdings Limited (the "Target Company");

(iii) In the event that the Group shall enter into an agreement in relation to the sale and purchase of the entire issued share capital of the Target Company (the "SPA") with a third party purchaser (the "Target Purchaser") through the introduction of the Defendants within the agreed time frame, then part of the Settlement Amount shall be paid by the consideration under the SPA (the "Consideration") by the Target Purchaser, and the remaining balance shall be borne by the Defendants;

(iv) In the event that the Company shall not enter into the SPA within the agreed time frame, the entire Settlement Amount shall be borne by the Defendants.

(v) After the Defendants paid the entire Settlement Amount in accordance with the Settlement Agreement, the Company and Baoxin Holdings shall not recover the 2nd to 5th tranches of the Adjustment Amount in cash and the related damages under the Second Supplemental Agreement from the Defendants or the Seller.

2. The Payment Schedule of the Settlement Amount

The Defendants shall jointly pay the Settlement Amount in cash to Baoxin Holdings in 4 installments according to the payment schedule as follows:

1st installment: RMB40,000,000 on or before 31 December 2018

2nd installment: RMB40,000,000 on or before 31 December 2019

3rd installment: RMB15,000,000 on or before 31 December 2020

4th installment: RMB15,000,000 on or before 31 December 2021

3. Payment of the Settlement Amount:

(i) In the event that on or before 31 December 2018, the Defendants shall successfully procure the SPA to be signed and provided that the Consideration under the SPA is received by the Company or a third party specified by it, the Consideration shall form partial payment of the 1st installment, so that the Defendants shall only pay the remaining balance of the 1st installment to Baoxin Holdings on or before 31 December 2018.

(ii) In the event that from 1 January 2019 to 31 March 2019, the full payment of the 1st installment is received by Baoxin Holdings and/or the Company, Baoxin Holdings and the Company agree not to claim damages for late payment from the Defendants. In the event that on or before 31 March 2019, the full payment of the 1st installment is not received by Baoxin Holdings and/or the Company, the Defendants shall be liable for the damages as provided under clause 4(i) below.

(iii) In the event that on or before 31 March 2019, the parties fail to sign the SPA or the Consideration is not received by the Company, the total settlement amount under the Settlement Agreement shall be borne by the Defendants.

(iv) On the effective date of the Mediation Agreement issued by the Court, Baoxin Holdings shall apply to the Court for withdrawal of the freezing order against part of the assets of the Defendants including bank accounts and shares of the Target Company.

(v) Within three (3) days upon receiving the full payment of the Settlement Amount (excluding the damages), Baoxin Holdings shall apply to the Court for withdrawal of the freezing order against the remaining of assets of the Defendants, including immovable properties.

4. Default arrangement

(i) In the event that on or before 31 March 2019, the full payment of the 1st installment is not received by Baoxin Holdings and/or the Company, the Defendants shall be simultaneously liable for the following:

(1) All outstanding Settlement Amount shall fall due and become immediately repayable. The Defendants shall pay Baoxin Holdings the entire Settlement Amount on 1 April 2019 in one lump sum.

(2) The Defendants shall pay Baoxin Holdings interest accrued daily at a rate of 1/1000 upon the sum of RMB110,000,000 from the date of 1 January 2019 to the date when the full payment of RMB110,000,000 (excluding the damages) is received by Baoxin Holdings and/or the Company.

(ii) In the event that on or before 31 December 2019, the full payment of the 2nd installment is not received by Baoxin Holdings and/or the Company, the Defendants shall be liable for the following:

(1) In the event that on or before 29 February 2020, the full payment of the 2nd installment is received by Baoxin Holdings and/or the Company, the Defendants shall pay Baoxin Holdings interest accrued daily at a rate of 1/1000 upon the sum of RMB40,000,000 from the date of 1 January 2020 to the date when the full payment of the 2nd installment in the amount of RMB40,000,000 (excluding the damages) is received by Baoxin Holdings and/or the Company.

(2) In the event that on or before 29 February 2020, the full payment of the 2nd installment is not received by Baoxin Holdings and/or the Company, all outstanding Settlement Amount shall fall due and become immediately repayable. The Defendants shall pay Baoxin Holdings RMB70,000,000 on 1 March 2020 in one lump sum. The Defendants shall pay Baoxin Holdings interest accrued daily at a rate of 1/1000 upon the sum of RMB70,000,000 from the date of 1 January 2020 to the date when the full payment of RMB110,000,000 (excluding the damages) is received by Baoxin Holdings and/or the Company.

(iii) In the event that on or before 31 December 2020, the full payment of the 3rd installment is not received by Baoxin Holdings, the 4th installment shall fall due and become immediately repayable. The Defendants shall pay Baoxin Holdings the full payment of RMB30,000,000 on 1 January 2021 in one lump sum. In the event of late payment, the Defendants shall pay Baoxin Holdings interest accrued daily at a rate of 1/1000 upon the sum of RMB30,000,000 from the date of 1 January 2021 to the date when the full payment of RMB110,000,000 (excluding the damages) is received by Baoxin Holdings and/or the Company.

(iv) In the event that on or before 31 December 2021, the full payment of the 4th installment is not received by Baoxin Holdings, the Defendants shall pay Baoxin Holdings interest accrued daily at a rate of 1/1000 upon the sum of RMB15,000,000 from the date of 1 January 2022 to the date when the full payment of RMB110,000,000 (excluding the damages) is received by Baoxin Holdings and/or the Company.

(v) In the event that the Defendants or any third party specified by them fail to make any installment payment according to the Settlement Agreement for more than 365 days, Baoxin Holdings and the Company have the right to recover the 2nd to 5th tranches of the Adjustment Amount under the Second Supplemental Agreement from the Defendants or the Seller.

(vi) The Defendants are jointly liable for any obligations under the Settlement Agreement.

As at the date of this Annual Report, the Company has not yet received any amount from the Defendants under the Settlement Agreement. The Company will keep its Shareholders and potential investors informed of material development in relation to the recovery of such Settlement Amount by way of further announcement(s) as and when appropriate in accordance with the Listing Rules.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

On 10 January 2018, Tengyue Limited, a company wholly-owned by Mr. Wu Teng, a substantial Shareholder at the time being, entered into a subscription agreement with the Company. The particulars of this connected transaction are disclosed in the section headed “EQUITY-LINKED AGREEMENTS” below.

Details of the significant related party transactions undertaken during the year under review are disclosed in note 49 to the consolidated financial statements. Save as disclosed below, these related party transactions either (i) do not constitute connected or continuing connected transactions or (ii) fall under the definition of a connected or continuing connected transaction, but are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

SHARE CAPITAL

Details of movements of the share capital of the Company during the Year are set out in note 41 to the consolidated financial statements.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN ORDINARY SHARES OF THE COMPANY (THE “SHARES”), UNDERLYING SHARES AND DEBENTURES” and “SHARE OPTION SCHEMES”, at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company or any of their respective spouses 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.

DIRECTORS’ INTEREST IN CONTRACTS

Save as disclosed in the section headed “CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS”, no contract of significance to the business of the Group, to which the Company, any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2018, nor had there been any contract of significance entered into between the Group, or any of its subsidiaries and any of the Director or the Director’s connected party during the year ended 31 December 2018.

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

During the year ended 31 December 2018, the Company repurchased on the Stock Exchange of Hong Kong Limited a total of 26,700,000 Shares at a total consideration of HKD8,574,025. Such Shares of the Company were cancelled on 22 November 2018 and 28 December 2018 respectively. Details of the Share repurchases are as follows:

Date of the relevant transaction *(Note)*	Number of Shares involved	Highest price per Share *(HK$)*	Lowest price per Share *(HK$)*	Consideration *(HK$)*
18 October 2018	510,000	0.320	0.305	159,700
19 October 2018	3,490,000	0.325	0.305	1,103,825
22 October 2018	1,630,000	0.320	0.300	510,300
23 October 2018	360,000	0.320	0.315	113,700
25 October 2018	4,760,000	0.320	0.315	1,521,150
6 November 2018	4,300,000	0.325	0.315	1,395,125
7 November 2018	2,900,000	0.325	0.320	938,775
8 November 2018	4,400,000	0.325	0.320	1,427,175
9 November 2018	3,650,000	0.325	0.325	1,186,250
28 November 2018	700,000	0.320	0.295	218,025

The repurchase of the Company's Shares was made for the benefit of the Company's shareholders with a view to enhancing the net asset value per Share and earnings per Share of the Company. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

Note: *Please refer to the announcements published by the Company on the transaction dates for further details in relation to the repurchase of Shares as listed in the above table.*

Save as disclosed above and the placing and subscription of Shares as disclosed in the section headed "EQUITY-LINKED AGREEMENTS" below, neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in business which might compete with the Group during the year ended and as at 31 December 2018 were as follows:

1. Mr. Yao Jianhui, being the chairman and executive Director of the Company, is also the executive director and controlling shareholder of CGG, which through its subsidiaries, is also engaged in property investment and development in the PRC; and

2. Mr. Li Minbin and Mr. Lau Wan Po being the executive Director and non-executive Director of the Company, are executive directors of CGG.

As CGG is involved in the investment and development of properties of different types and/or in different locations, and the Board has been operating independently of, and at arm's length from, the businesses of CGG, no competition is considered to exist.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

Placing Agreement dated 10 January 2018 in relation to the placing of 1,634,502,485 Shares

As disclosed in the announcements of the Company dated 10 January 2018 and 20 March 2018 and the circular of the Company dated 5 February 2018, pursuant to an ordinary resolution passed by the Shareholders on 23 February 2018, the Company entered into a placing agreement with the placing agent in relation to the placing of 1,634,502,485 ordinary shares of HK$0.05 each at a price of HK$0.50 per share. The new shares were finally placed to six (6) independent investors. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, all investors are independent third parties of the Company and its connected persons. The premium on the issue of shares amounting to approximately HK$731,377,000, net of share issue expenses of approximately HK$4,149,185, was credited to the Company's share premium account. The placement was completed on 20 March 2018 when the Company issued and allotted a total of 1,634,502,485 new shares.

The Directors are of the view that it is in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and Shareholders' base of the Company for long-term development and further strengthen its financial position. The Directors (other than the independent non-executive Directors) considered the terms of the placing agreement to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The independent non-executive Directors, who were appointed to the independent board committee, had given their view on the terms of the placing after considering the opinion of the independent financial adviser set out in the above-mentioned circular.

Subscription Agreement dated 10 January 2018 in relation to the subscription of 408,625,621 Shares

As disclosed in the announcements of the Company dated 10 January 2018 and 20 March 2018 and the circular of the Company dated 5 February 2018, pursuant to an ordinary resolution passed by the Shareholders on 23 February 2018, the Company entered into a subscription agreement in relation to the subscription of 408,625,621 ordinary shares of HK$0.05 each at a price of HK$0.50 per share to Tengyue Limited which was a substantial shareholder of the Company. The premium on the issue of shares amounting to approximately HK$183,882,000, was credited to the Company's share premium account. The subscription was completed on 20 March 2018 when the Company issued and allotted a total of 408,625,621 new shares. Mr. Wu Teng through his interest in Tengyue Limited was deemed to be interested in a total of 749,146,972 shares, representing approximately 18.33% of the total issued capital of the Company after completion of the subscription.

The Directors are of the view that it is in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and Shareholders' base of the Company for long-term development and further strengthen its financial position. The Directors (other than the independent non-executive Director) considered the terms of the subscription agreement to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The independent non-executive Directors, who were appointed to the independent board committee, had given their view on the terms of the subscription after considering the opinion of the independent financial adviser set out in the above-mentioned circular.

USE OF NET PROCEEDS

For the year ended 31 December 2018, the gross proceeds received from subscription of new shares after deducting the relating expenses was approximately HK$1,016,584,000. Such net proceeds was deposited at the Group's bank account. The net proceeds were used as follows:

Date of Announcement	Intended use of Proceeds	Approximate amounts of the net proceeds (in HK$)	Approximate amounts utilised (in HK$)	Approximate remaining amount (in HK$)
10-Jan-18	approximately HK$713 million for the settlement of the outstanding consideration for the acquisition of entire issued share capital of Shenzhen Borui Enterprise Management Company Limited	713,000,000	713,000,000	—
	approximately HK$146 million for the repayment of the corporate bonds issued by the Company together with the accrued interests;	146,000,000	146,000,000	—
	approximately HK$76 million for the repayment of the principal of a loan together with the last installment of interests; and	76,000,000	76,000,000	—
	approximately HK$81 million for general working capital of the Group.	81,584,000	81,584,000	—
		1,016,584,000	1,016,584,000	—

BORROWINGS

Particulars of borrowings of the Group are set out in note 33 to the consolidated financial statements.

SUBSIDIARIES

Particulars regarding principal subsidiaries are set out in note 24 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

PUBLIC FLOAT

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

IMPORTANT EVENT AFTER THE REPORTING PERIOD

The Unconditional mandatory securities exchange offer with cash alternative to acquire all the issued Shares in the share capital of the company

As disclosed in the joint announcement dated 21 January 2019 and 18 March 2019 respectively issued jointly by the Company, CGG and Hong Kong Bao Xin Asset Management Limited (the "Offeror") (an indirect wholly owned subsidiary of CGG), the Offeror, and Mr. Zhang Xiaodong, Upright Hoist Limited and Tengyue Limited (the "Vendors"), among other parties, entered into the sale and purchase agreement on 17 January 2019, pursuant to which the Offeror conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the sale shares (being in aggregate 1,508,505,611 Shares), representing approximately 37.16% of the entire issued share capital of the Company as at the date of the joint announcement of 18 March 2019. The consideration for the sale shares pursuant to the sale and purchase agreement will be settled by CGG allotting and issuing the consideration shares (being in aggregate 1,508,505,611 new shares in CGG, representing approximately 5.83% of the existing issued share capital of CGG) to the Vendors on the basis of one (1) new share in CGG for every Share sold as sale share.

Completion is conditional upon the fulfilment (or waiver) of the conditions described in the sub-section headed "Conditions" in the section headed "(1) THE SALE AND PURCHASE AGREEMENT" of the joint announcement dated 21 January 2019.

Assuming no changes to the issued share capital of the Company from the date of the joint announcement of 18 March 2019 to the completion date and subject to and upon completion, the concert group of the Offeror will be interested in a total of 2,696,496,898 Shares, representing approximately 66.42% of the issued share capital of the Company. Assuming 120,967,742 new Shares are issued as Yue Jin retained shares on or before completion and there are no other changes to the issued share capital of the Company from the date of the joint announcement of 18 March 2019 to the completion date and subject to and upon completion, the concert group of the Offeror will be interested in a total of 2,696,496,898 Shares, representing approximately 64.50% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, subject to and upon completion, the Offeror will make an unconditional mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). As at the date of the joint announcement of 18 March 2019, there are no outstanding warrants, options, derivatives or convertible securities issued by the Company which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with the Listing Rules. During the reporting period, the Audit Committee comprises Mr. Wong Chun Bong (Chairman), Mr. Chen Kaiben (resigned as a member on 27 March 2019), Ms. He Suying and Dr. Tang Lai Wah. Other than Mr. Chen Kaiben is a non-executive Director, all of whom are independent non-executive Directors.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual report and half-yearly reports and to provide advices and comments thereon to the Board.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2018, including the accounting principles and practices adopted by the Group.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to adopt corporate governance practices. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 49 to 63 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by RSM Hong Kong (their Chinese practice name changed on 22 November 2018) who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting of the Company for the re-appointment of RSM Hong Kong as auditor of the Company.

PROPOSED CHANGE OF COMPANY NAME

The Board proposed to change the English name of the Company from "New Sports Group Limited" to "Glory Sun Land Group Limited", and to adopt "寶新置地集團有限公司" as the dual foreign name of the Company to replace the existing Chinese name "新體育集團有限公司" (the "Proposed Change of Company Name"). The Proposed Change of Company Name is subject to (i) the passing of a special resolution by the Shareholders at the 2019 Annual General Meeting to approve the Proposed Change of Company Name; and (ii) the Registrar of Companies in Cayman Islands approving the use of the proposed new English name and the adoption of the proposed new Chinese name as the dual foreign name of the Company.

A circular containing, among other matters, details of the Proposed Change of Company Name, together with a notice of the 2019 Annual General Meeting and the related proxy form, will be sent to the Shareholders on or around 26 April 2019.

On behalf of the Board

Yao Jianhui
Chairman

Hong Kong
27 March 2019

* *For identification purpose only*

The Company emphasises on corporate governance and is committed to maintaining high standard of corporate governance which is reviewed and strengthened from time to time.

CORPORATE GOVERNANCE PRACTICES

During the year under review (i.e. from 1 January 2018 to 31 December 2018) ("Reporting Period"), the Company has applied and complied with all the applicable provisions as set out in the Corporate Governance Code contained in Appendix 14 (the "CG Code") of Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct for securities transactions and dealing (the "Code of Conduct") by Directors on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry with all Directors, all the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct during the Reporting Period.

BOARD OF DIRECTORS

At the date of this report, the Board consists of four executive Directors namely Mr. Yao Jianhui (Chairman), Mr. Zhang Xiaodong (Vice Chairman), Mr. Li Minbin and Ms. Xia Lingjie; four non-executive Directors namely Mr. Lau Wan Po, Mr. Wu Teng, Ms. Zhan Yushan and Mr. Chen Kaiben; and four independent non-executive Directors namely Mr. Chen Zetong, Ms. He Suying, Dr. Tang Lai Wah and Mr. Wong Chun Bong. None of the Directors has any family relationship with any of other Directors.

The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current board size as adequate for its present operations. Detailed biographies outlining each Director's range of specialist experience and suitability for the successful long-term management of the Group can be found in the section headed "Directors and Senior Management Profiles" of this report.

During the Reporting Period, Mr. Zhang Xiaodong, who is the previous chairman and the current vice-chairman of the Company, met with the independent non-executive Directors without the executive Directors present.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The code provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and the CEO should be clearly established and set out in writing.

Mr. Zhang Xiaodong assumed the roles of both the Chairman and the CEO from 1 April 2016 to 20 December 2018 and undertaken the duties of both the Chairman and the CEO, which deviated from the provisions set out in the CG Code.

Since 20 December 2018, Mr. Yao Jianhui has been appointed as the Chairman of the Board and Ms. Xia Lingjie has been appointed as the CEO. The respective roles of the Chairman and the CEO are segregated and assumed by two separate individuals who have no relationship with each other to ensure the power and authority are not concentrated in any one individual. The division of responsibilities between the Chairman and the CEO have been clearly established and set out in writing. The Chairman is responsible for the effective running of the Board, while the CEO is delegated with the authorities to manage the business of the Company.

CORPORATE GOVERNANCE REPORT

Role and function of the Board and the management

The principal functions of the Board are to make decisions on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group; to supervise the management of the business and affairs with the objective of enhancing the Company and Shareholders' value with the proper delegation of power to the management for the day-to-day operation of the Company, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decisions. The composition and functions of each Board committee and their major roles and functions are described below. The final decision still rests with the Board unless otherwise provided for in the terms of reference of the relevant committees.

Non-executive Directors

All non-executive Directors including independent non-executive Directors are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association at an annual general meeting at least once every three years.

Independent non-executive Directors are responsible to scrutinise the Company's performance in achieving agreed corporate goals and objectives; and ensuring that the exercise of the board authority is within the powers conferred to the Board under the Company's Articles of Association, applicable laws, rules and regulations.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Directors consider that all the independent non-executive Directors remain independent.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Pursuant to Articles 84(1) and 84(2) of the Company's Articles of Association, one-third of the Directors for the time being shall retire by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election.

Article 83(3) of the Company's Articles of Association provides that (i) any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company after his/her appointment, of the Company and shall then be eligible for re-election at such meeting.

Every Director, including non-executive Directors and independent non-executive Directors were appointed for a term of three years and would be subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company. Their appointments would be reviewed by the Nomination Committee when they were due for re-election.

BOARD MEETINGS

The Board holds at least four meetings a year. The Board convenes meetings on a regular basis and on an ad hoc basis, as required by business needs. All Directors are invited to attend the Board meetings in person or by telephone conference.

Notice of at least 14 days will be given to all Directors for regular Board meetings and reasonable notices for all other Board meetings will be given to all Directors so as to ensure that each of them has an opportunity to attend the meetings. Board papers will be given to the Board at least three days before the date of the Board meeting by the company secretary of the Company (the "Company Secretary").

If a substantial Shareholder or a Director has a conflict of interest in a matter, the matter will be dealt by a physical Board meeting rather than a written resolution.

During the Reporting Period, the Board held a total of 5 Board meetings.

Details of Directors' attendance record in the year of 2018 are as follows:

Directors	No. of meetings attended/ No. of meetings held
Executive Directors	
Yao Jianhui (appointed on 20 December 2018)	0/0
Zhang Xiaodong	5/5
Li Minbin (appointed on 20 December 2018)	0/0
Xia Lingjie (resigned on 20 December 2018 and appointed again on 27 March 2019)	4/5
Non-Executive Directors	
Lau Wan Po	4/5
Wu Teng (appointed on 24 August 2018)	2/2
Zhan Yushan (appointed on 26 October 2018)	1/1
Chen Kaiben (appointed on 20 December 2018)	0/0
Independent Non-Executive Directors	
Chen Zetong	3/5
He Suying	5/5
Tang Lai Wah	5/5
Wong Chun Bong (appointed on 20 December 2018)	0/0

Company Secretary

The Company Secretary's role is to support the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on governance matters and facilitating induction and professional development of Directors. The Company Secretary is an employee of the Company and reports to the Chairman. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is delegated with the responsibility for drawing up the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda and that all applicable rules and regulations are followed. All Directors may ask for matters to be included in the agenda for regular Board meetings by making a request to the Company Secretary. During the Reporting Period, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training to update his skills and knowledge as required by Rule 3.29 of the Listing Rules.

ACCESS TO INFORMATION

All Directors are kept informed of major changes of the Group's business from time to time. They have unrestricted access to the advices from the Company Secretary who are responsible to provide the Board papers and related materials.

Minutes of Board meetings and board committee meetings are kept by the Company Secretary and are open for inspection by any Director. The Directors including independent non-executive Directors may seek for legal advices at the Company's expenses to discharge their duties.

DIRECTORS' AND OFFICERS' LIABILITY

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

A comprehensive, formal and tailored induction training will be given to every newly appointed Directors. Directors will be provided with materials relevant to the Company's business and director's duties and responsibilities. In addition, in order to allow the Directors to understand the latest development of regulatory and compliance issues, they are also provided with market news and regulatory updates. A summary of their records of continuous development training ("CPD") is as follows:

Directors	Types of CPD	Subject of CPD
Executive Directors		
Yao Jianhui (appointed on 20 December 2018)	1,2	A,B
Zhang Xiaodong	1,2	A,B
Li Minbin (appointed on 20 December 2018)	1,2	A,B
Xia Lingjie (resigned on 20 December 2018 and appointed again on 27 March 2019)	1,2	A,B
Non-Executive Directors		
Lau Wan Po	1,2	A,B
Wu Teng (appointed on 24 August 2018)	1,2	A,B
Zhan Yushan (appointed on 26 October 2018)	1,2	A,B
Chen Kaiben (appointed on 20 December 2018)	1,2	A,B
Independent Non-Executive Directors		
Chen Zetong	1,2	A,B
He Suying	1,2	A,B
Tang Lai Wah	1,2	A,B
Wong Chun Bong (appointed on 20 December 2018)	1,2	A,B

Note 1:

1. Attending in-house training or seminars
2. Reading newspapers, journals and updated legal and regulatory news

Note 2:

A. The Company's business
B. Laws, rules and regulations, accounting standards

BOARD COMMITTEES

The Board has established three committees with specific written terms of reference to oversee particular aspects of the Company's affairs.

Audit Committee

At the date of this report, the Audit Committee consists of all independent non-executive directors namely Mr. Wong Chun Bong (the chairman), Ms. He Suying and Dr. Tang Lai Wah. On 20 December 2018, Mr. Wong Chun Bong was appointed as chairman, Mr. Chen Kaiben was appointed as member, Dr. Tang Lai Wah was re-designated as member and Mr. Chen Zetong resigned as member of the Audit Committee. On 27 March 2019, Mr. Chen Kaiben resigned as member of the Audit Committee.

The primary duties of the Audit Committee include, inter alia, to review and monitor financial reporting and the judgments contained therein; and to review financial and internal controls half-yearly and annually, accounting policies and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditor as well as their terms of appointment.

The Audit Committee reviewed and discussed with the management the accounting principles and practice adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial statements of the Group for the financial year ended 31 December 2018 have been reviewed by the Audit Committee.

Attendance of the Audit Committee members during the Reporting Period is set out below:

Members	No. of meetings attended/ No. of meetings held
Wong Chun Bong (appointed as chairman on 20 December 2018)	0/0
He Suying	4/4
Tang Lai Wah (re-designated as member on 20 December 2018)	4/4
Chen Kaiben (appointed as member on 20 December 2018 and resigned as member on 27 March 2019)	1/4
Chen Zetong (resigned as member on 20 December 2018)	1/4

Nomination Committee

At the date of this report, the Nomination Committee consists of three members with a majority of independent non-executive Directors namely Mr. Wong Chun Bong (chairman), Mr. Yao Jianhui and Ms. He Suying. On 20 December 2018, Mr. Yao Jianhui was appointed as chairman, Mr. Wong Chun Bong was appointed as member, Ms. He Suying was re-designated as member and Dr. Tang Lai Wah resigned as member of the Nomination Committee. On 27 March 2019, Mr. Wong Chun Bong and Mr. Yao Jianhui were re-designated as chairman and member of the Nomination Committee respectively and Mr. Chen Zetong resigned as member of the Nomination Committee.

The major functions of the Nomination Committee are to review the structure and composition of the Board, to review and provide recommendations to the Shareholders on individuals suitably qualified to become Board members and the terms of Director's service contract, and to assess the independence of the independent non-executive Directors and to review the Board Diversity Policy.

Nomination Policy

The Company follows a formal, fair and transparent procedure for the appointment of new directors to the Board. The Nomination Committee reviews the structure, size and composition of the Board, identifies suitable candidates if necessary and makes recommendations to the Board. The director nomination policy sets out the approach and procedures the Board adopts for the nomination and selection of directors of the Company including the appointment of additional directors, replacement of directors, and re-election of directors. Below are details of the selection criteria and nomination process and procedures as set out in the director nomination policy.

In the determination of the suitability of a candidate, the Nomination Committee shall consider the potential contribution such candidate can bring to the Board in terms of his or her qualifications, skills, experience, independence, age, culture, ethnicity and gender diversity etc. The Nomination Committee shall consider the following selection criteria and such other factors that it may consider appropriate for a position on the Board, including but not limited to: (a) attributes complementary to the Board, (b) business experience, board expertise and skills, (c) availability, (d) motivation, (e) integrity, (f) independence and (g) diversity (in all aspects).

In any event, the Board shall ensure that the nomination, reelection and/or appointment of the directors shall be conducted in compliance with the Listing Rules, the memorandum and articles of association of the Company and all other applicable laws, rules and regulations.

Board Diversity Policy

The Company has adopted a board diversity policy ("Board Diversity Policy") which set out its approach to achieve diversity on the Board with a view to attaining a sustainable and balanced development of the Company.

The Company seeks to achieve board diversity through the consideration of a bundle of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and independence. The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be always based on merit and contribution that the selected candidates will bring to the Board.

During the Year and as at the date of this Report, the Board is comprised of twelve (12) Directors, four (4) of which are female. The following tables further illustrate the diversity of the Board members as of the date of this Report:

	Age			
Name of Director	**30 to 39**	**40 to 49**	**50 to 59**	**60 or above**
Executive Director				
Yao Jianhui		✓		
Zhang Xiaodong		✓		
Li Minbin	✓			
Xia Lingjie	✓			
Non-executive Director				
Lau Wan Po		✓		
Wu Teng			✓	
Zhan Yushan		✓		
Chen Kaiben	✓			
Independent Non-executive Director				
Chen Zetong		✓		
He Suying			✓	
Tang Lai Wah				✓
Wong Chun Bong				✓

	Professional Experience/Education Background				
Name of Director	**Management**	**Real Estate**	**Investment**	**Accounting & Finance**	**Law**
Executive Director					
Yao Jianhui	✓	✓	✓	✓	
Zhang Xiaodong	✓	✓	✓		
Li Minbin	✓	✓	✓	✓	
Xia Lingjie	✓		✓		
Non-executive Director					
Lau Wan Po	✓		✓	✓	
Wu Teng	✓	✓			
Zhan Yushan					✓
Chen Kaiben	✓		✓		
Independent Non-executive Director					
Chen Zetong					✓
He Suying		✓	✓	✓	
Tang Lai Wah				✓	
Wong Chun Bong				✓	

The nomination committee has monitored the implementation of Board Diversity Policy and has also undertaken periodic review it to ensure its effectiveness.

The Nomination Committee has been provided with sufficient resources to perform its duties and may seek independent professional advice at the Company's expenses, to perform its responsibilities if it considers necessary.

Attendance of the Nomination Committee members during the Reporting Period is set out below:

Members	**No. of meetings attended/ No. of meetings held**
Wong Chun Bong (appointed as member on 20 December 2018 and re-designated as chairman on 27 March 2019)	0/0
Yao Jianhui (appointed as chairman on 20 December 2018 and re-designated as member on 27 March 2019)	0/0
He Suying (re-designated as member on 20 December 2018)	4/4
Chen Zetong (resigned as member on 27 March 2019)	2/4
Tang Lai Wah (resigned as member on 20 December 2018)	4/4

Salary Review Committee

At the date of this report, the Salary Review Committee consists of three members with a majority of independent non-executive Directors namely Ms. He Suying (chairman), Mr. Yao Jianhui, Dr. Tang Lai Wah. Mr. Zhang Xiaodong resigned as member of Salary Review Committee on 20 December 2018 and Mr. Chen Zetong resigned as member of Salary Review Committee on 27 March 2019.

The primary objectives of Salary Review Committee are, inter alia, to formulate the remuneration policy based on the responsibilities, qualifications and working performance of senior management of the Company ("Senior Management") and Directors; review and recommend the Board's annual remuneration policy. The major objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

During the Reporting Period, the Salary Review Committee held 4 meetings. It reviewed the remuneration package of Directors and considered the terms of appointment of the newly appointed Senior Management.

Attendance of the Salary Review Committee members during the Reporting Period is set out below:

Members	**No. of meetings attended/ No. of meetings held**
He Suying *(chairman)*	4/4
Yau Jianhui (appointed as member on 20 December 2018)	0/0
Tang Lai Wah	4/4
Chen Zetong (resigned as member on 27 March 2019)	2/4
Zhang Xiaodong (resigned as member on 20 December 2018)	4/4

Details of remuneration paid to Directors and Senior Management for the Year are set out in note 14 and 15 to the consolidated financial statements.

CORPORATE GOVERNANCE FUNCTION

During the Year, the Board responsible for performing the corporate governance duties as follows:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendation to the Board;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct applicable to the Group's employees and Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance policies.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the Reporting Period. The Directors consider that the consolidated financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong. Having made appropriate enquiries, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The financial statements of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee and audited by the external auditors, RSM Hong Kong.

For the year ended 31 December 2018, the remuneration paid/payable to RSM Hong Kong, the auditors of the Company, is set out as follows:

Type of services provided by the external auditors

	Fee (HK$'000)
Audit services:	
Audit of the consolidated financial statements for the year ended 31 December 2018	3,080
Audit of the special purpose financial information	800
Non-audit services:	
Agreed-upon procedures on interim financial statements for the six months ended 30 June 2018	500
	4,380

RISK MANAGEMENT AND INTERNAL CONTROL

The Group, observing the requirements of the code provisions as set out in Appendix 14 of the Listing Rules, has established appropriate risk management and internal control systems that are commensurate with its current state of business operation and development. The management is responsible for the design, implementation and monitoring of the systems, and the Board by establishing a Risk Management Committee on 31 December 2015 oversees the systems on an ongoing basis. At the date of this report, the Risk Management Committee consists of three Directors namely Mr. Zhang Xiaodong (chairman) and Ms. Xia Lingjie and Ms. Zhan Yushan. The Risk Management Committee ensures that the risk management and internal control measures adopted are compatible with the Group's objectives, strategies and risk appetite.

The Board has directed that the effectiveness of the material controls of the systems be reviewed regularly, at least annually, and such a review must include financial, operational and compliance controls. The Board, having considered the adequacy of resources, staff qualifications and experience, training programs and budgets of the Group's accounting, internal audit and financial reporting functions based on reports of an annual review of the systems, has directed that adequate resources be allocated to meet the requirements in such respects.

The main features of the risk management and internal control systems are described as below.

Risk Management System

In common with all business concerns, the Group strives to achieve its objectives amidst uncertainty and has adopted as reference the risk management principles and guidelines under the International Standard ISO31000 to manage the effect of such uncertainty on its objectives.

The risk management process, developed according to the standard as an integral part of the management, tailored to and embedded in the business practices, comprises the following activities and phases.

- **Communication and consultation**
  Communication and consultation with stakeholders or risk owners being those in charge of legal entities, functional units or business processes are established, developed and exercised at all stages of the risk management process, to address issues arising from risks, causes, consequences and measures required to treat the risks.

- **Establishing the context**
  Desirable objectives are articulated, external as well as internal parameters defined, risk criteria set in order to facilitate the conduction risk management process.

- **Risk Assessment**
  It is the overall process of risk identification, risk analysis and risk evaluation.

  (a) Risk identification: through the network of communication and consultation established with stakeholders or risk owners, sources of risk, areas of impacts, events or changes in circumstances, causes and consequences are identified.

  Risks so identified are reported and recognised in the risk register to facilitate risk analysis and evaluation of their impact on the achievement of objectives.

  (b) Risk analysis: an understanding of the risks identified is obtained in order to consider the causes and sources of risk, their consequences whether favorable or unfavorable, likelihood, confidence in determining the level of risk and sensitivity to preconditions.

(c) Risk evaluation: decision is made based on the outcome of risk analysis, about whether a particular risk needs treatment and corresponding priority for treatment implementation.

- **Risk treatment**
  Where decision is made that a particular risk needs treatment, options are developed for modifying the risk by providing mitigation or appropriate controls in order to reduce the residual risk to a tolerable level.

  (a) Controls address the key causes and impacts of the risk.

  (b) Controls are designed and implemented consistent with the achievement of the corporate objectives and performance targets.

- **Monitoring and review**
  (a) Management reviews to ensure controls are effective and efficient in both design and operation at least annually.

  (b) Risk management performance is regularly monitored.

  (c) Risks and risk management performance are appropriately communicated to stakeholders or risk owners including those in charge of governance and those responsible for the management of legal entities, functional units or business processes.

The Board, with the assistance of the Audit Committee and Risk Management Committee, evaluate the effectiveness of the systems for identifying and managing risks that are material to the achievement of corporate objectives.

Internal Control System

The Company has an internal control system designed and implemented according to the framework and principles as advocated by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. The system thus developed facilitates the Group to achieve effectiveness and efficiency of operations, reliability of financial reporting and compliance of laws and regulations. The main components of the framework and the underlying principles that the Group observes are as follows:

- **Control Environment**
  Sound control environment is established by obtaining commitment at all levels to integrity and ethical values, appointing independent board of directors' oversight, enacting structures, organizations and processes with clear reporting lines, authorities and responsibilities, developing competences, and holding people accountable to internal control.

- **Risk Assessment**
  The risk assessment component under the COSO framework complements that under the International Standard ISO31000. It emphasises that clear objectives be firstly specified and risks to the achievement of objectives are then identified with specific reference to the need for considering potential for fraud and impact of significant internal and external changes.

- **Control Activities**
  Control activities are selected and developed as part of the treatment of risks identified. Controls are developed through policies and procedures, along with information technology controls selected and developed where appropriate.

- **Information and Communication**
  This component is concerned with establishing internal and external communication to provide the Group with quality information needed to carry out day-to-day controls in support of the achievement of its objectives. The communication component under the COSO framework and that under the International Standard ISO31000 are two sides of the same coin, with the former emphasizing on information required to support the achievement of objectives and the latter, on information required to address issues arising from risks or the impact of uncertainty on the achievement of objectives.

- **Monitoring**
  It refers to ongoing and separate evaluations conducted to ascertain whether material controls are appropriately developed and functioning effectively. Internal control deficiencies identified are evaluated and communicated to appropriate stakeholders.

Effectiveness of the Risk Management and Internal Control Systems

The Board through the Audit Committee and the Risk Management Committee has ongoing oversight of the Group's risk management and internal control systems. The Risk Management Committee holds regular meetings to review risks recognised in the risks register based on information from various stakeholders or risk owners. The directors are kept regularly apprised of significant risks that may impact the Group's performance.

During the year under review, the Board has engaged an external professional consulting firm, JFU Consultants (Hong Kong) Limited, to review the Group's risk management and internal control systems with a view to:

- Reviewing the adequacy and effectiveness of the Group's risk management and internal control systems insofar as the principal operations as identified are concerned;

- Reporting to the Audit Committee the findings of the review and recommendations to the Board.

On the findings and recommendations, the Board concludes that the state of the Group's risk management and internal control systems is sufficiently effective and commensurate with the current development of the Group. The Group has been moving at a rapid pace and key business structures, organizations and processes are being formed in support. Accordingly, the Board directs that more resources be assigned to develop controls, risk treatments and training in alignment with the continuing development of the Group, ensuring that the effectiveness of risk management and internal control systems are maintained.

Inside Information

Policies, procedures and controls for handling and dissemination of inside information has been set out internally to enhance information management of the Group and to ensure the authenticity, accuracy, completeness and timeliness of information disclosed to the public while protecting the legitimate rights and interests of the Company, Shareholders, creditors and other stakeholders as a whole.

Corporate Governance and Internal Audit

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore established an internal audit function in early 2018 to uplift the quality of corporate governance.

The internal audit function is independent of the Group's daily operations and facilitates the Board on evaluating the effectiveness of the risk management and internal control systems by conducting interviews and performing tests on management and operational controls.

Internal audit work plans are developed and executed with approval of the Board, and with the support of experienced external consultants. The internal audit function is accountable to the Board through the Audit Committee.

SHAREHOLDERS' RIGHTS

Pursuant to Article 58 of the Company's Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The requisition in writing should be sent to the Company's office at Unit 2602, 26/F., Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong.

The same procedure also applies to any proposal to be tabled at Shareholders' meetings for adoption. The Board will review Shareholders' enquires on a regular basis. Specific enquiries and suggestions by Shareholders can be sent in writing to the Board or the Company Secretary at the above address.

In case of shareholding enquires, Shareholders should direct their enquiries to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, via its online holding enquiry at www.tricoris.com, or by email to is-enquiries@hk.tricorglobal.com or dial its hotline at (852) 2980 1333 or go in person at its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

During the Reporting Period, the Board has adopted the Shareholders' communication policy, which is posted on the Company's website.

Designated senior management is responsible for communicating and enhancing relationships with the investors of the Company. Enquiries from investors are dealt with in a timely manner.

The Company provides extensive information in its annual and interim reports and announcements. All Shareholders' communications are also available on the Company's website.

The annual general meeting of the Company provides a useful forum for Shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address Shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval, members of the independent board committee will also make an effort to attend to address Shareholders' queries.

Details of the Directors' attendances at the 2018 general meetings are as follows:

Directors	**No. of general meetings attended/ No. of general meetings held**
Executive Directors	
Yao Jianhui (appointed on 20 December 2018)	0/0
Zhang Xiaodong	2/2
Li Minbin (appointed on 20 December 2018)	0/0
Xia Lingjie (resigned on 20 December 2018 and appointed again on 27 March 2019)	2/2
Non-Executive Directors	
Lau Wan Po	2/2
Wu Teng (appointed on 24 August 2018)	0/0
Zhan Yushan (appointed on 26 October 2018)	0/0
Chen Kaiben (appointed on 20 December 2018)	0/0
Independent Non-Executive Directors	
Chen Zetong	1/2
He Suying	1/2
Tang Lai Wah	2/2
Wong Chun Bong (appointed on 20 December 2018)	0/0

CONSTITUTIONAL DOCUMENTS

The Company does not have any changes in the constitutional document during the Reporting Period.

1. SCOPE

The reporting period of this Environmental, Social and Governance report ("Report") is from 1 January 2018 to 31 December 2018. This Report focuses on the Group's core businesses of property development and sports & culture, and includes relevant operating information of the Group's Hong Kong head office and nine subsidiaries in Mainland (all of these subsidiaries are operating entities), namely (1) 寶新控股有限公司 (Baoxin Holdings Co., Ltd.*) ("Shenzhen Office"), (2) 長春市寶新房地產開發有限公司 (Changchun Baoxin Property Development Co., Ltd.*) ("Changchun Company"), (3) 湖南美聯置業有限公司 (Hunan Meilian Property Co., Ltd.*) ("Changsha Company"), (4) 深圳大鵬遊艇會有限公司 (Shenzhen Dapeng Yacht Club Company Limited*) ("Marine Sport Centre"), (5) 深圳大鵬國際教育有限公司 (Shenzhen Dapeng International Education Company Limited*) ("Marine Training Centre"), (6) 汕頭市潮商城鎮綜合治理有限公司 (Shantou Chaoshang Chengzhen Comprehensive Management Company Limited*), and 潮商集團（汕頭）投資有限公司 (Chaoshang Group (Shantou) Investment Company Limited*), (collectively, "Shantou Company"), and (7) 渭南市寶能置業有限公司 (Weinan Baoneng Property Company Limited*) ("Weinan Company").

This Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Main Board Listing Rules. The contents of this Report have been confirmed by the Board of the Company and have complied with the "comply or explain" provisions. We value your feedback regarding this Report and the Company's practices in the field of sustainable development. Please provide your comments by email to info@newsportsgp.com.

2. COMMUNICATION WITH STAKEHOLDERS

The Company's annual general meeting ("AGM") provides an effective platform for the Board of Directors and Shareholders to exchange views. In addition to the AGM, for maintaining close relationship with customers, suppliers and other stakeholders, the Group communicates with stakeholders from time to time through different channels such as visits, conference calls, e-mails, company websites, customer service hotlines, follow-ups by customer service representatives, etc. in order to fully listen to their views and needs. The Group's overall performance is also reported to investors through the annual report of the Company.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

3.1 Environmental

3.1.1 Emissions

The Group has always cared for and protected the natural environment. As an advocator of sustainable development, the Group has strictly complied with principles of environmental protection, and adopted the concept of "green and low-carbon operation". The Group strives to conserve energy and reduce emission in its building design, construction activities, as well as daily management and operation. Upholding the concepts of "refined operation", the Group has complied with the basic requirements of all environmental laws and standards, including but not limited to the《中華人民共和國環境保護法》(Environmental Protection Law of the People's Republic of China*) and the《中華人民共和國水污染防治法》(Water Pollution Prevention and Control Law of the People's Republic of China*), and developed policies and strategies and carried out a series of actions to promote environmental protection, including:

Waste Reduction Policy

The Group actively supports the Government's policies and schemes in relation to waste management and reduction. To protect the environment in its offices, construction sites and business premises, ensure occupational health and safety, and prevent pollution caused by wastes, the Group has developed and implemented measures to reduce, manage and treat wastes based on the its office conditions and business natures.

The Group has established systems and rules for management of, use of office supplies and other supplies, as well as the environmental management in its offices. The 5S method is adopted in offices to encourage employees to minimise the use of and preserve materials. Wastes are treated in different ways according to their categories, and recyclable wastes (waste paper, paper boxes and others) are recycled. Old packaging boxes for equipment/materials are re-used for other purposes. Unrecyclable wastes, such as plastic packaging bags, discarded electronic products, etc., are kept at designated places and later transferred to qualified vendors for handling. During the reporting year, no violation of environmental regulations was found.

The wastes and other unwanted materials deriving from the Group's construction activities are collected strictly according to local municipal authority's rules. The constructor is required to manage all construction wastes arising from its constructions. Garbage stations are opened at construction sites, and all solid wastes arising from construction and production activities, such as discarded electrode, welding slag, oil cotton yarn, oil cotton cloth, etc., are recycled by construction or production employees, kept at designated places, and treated together. Unrecyclable construction and domestic wastes after sorting shall be timely transported to qualified waste disposal sites to prevent any further pollution. Treatment of hazardous wastes shall be commissioned to approved agencies, and be duly registered. The Group also strives to identify, improve and strengthen management of the processes that can cause serious pollutions in order to minimise pollution.

Business Travel Reduction Policy

The Group understands that frequent business trips increase energy consumption and lead to increase in greenhouse gas emissions. Therefore, the Group has established a standard business trip management system to clearly define the approval procedures for business trips and set annual budgets for business trips in advance. Reasonable number of business trips are planned to avoid unnecessary business trips. On the other hand, the Group has established a conference management system with regularised and efficient communication methods to encourage employees to use fast and efficient communication channels, such as mobile communication tools, Internet communication tools, video conferences, telephone conferences and emails. Remote communication software is adopted as much as possible when communicating with external parties. The Group also encourages travelling employees to choose means of transport that are economical and fast, and public transportation is the most recommended by the Group.

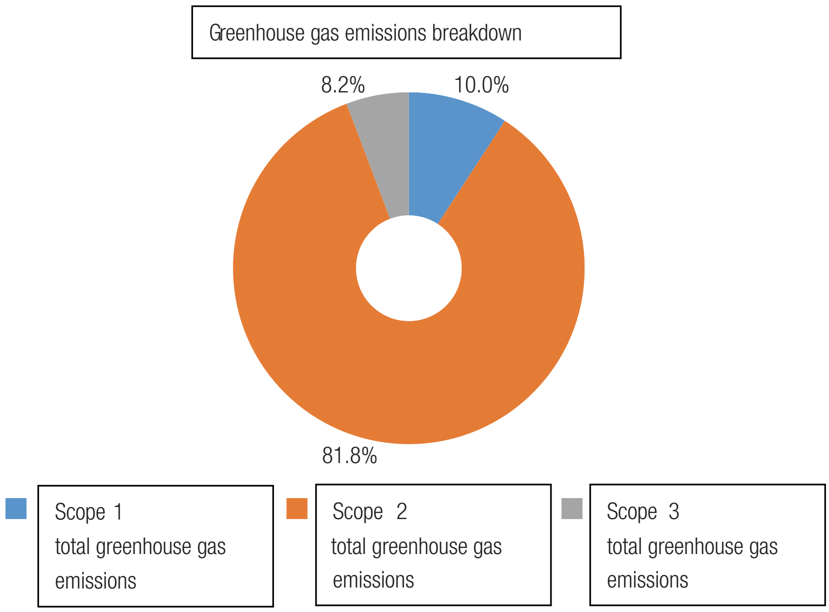
Policy on Use of Vehicles

To better regulate vehicle uses for daily operational and business purposes, and reduce the exhausts and other pollutants caused by unreasonable use of vehicles, the Group has established the "Standards of Vehicle Uses". Vehicle managers are required to record and sort out vehicles' mileage, fuel consumption and other vehicle use information on a monthly basis. By comparing the frequency and fuel consumption in vehicle uses, vehicle managers can determine whether vehicles are used properly, and the frequency of vehicle uses can be well controlled. The Group has assigned employees to drive, repair and maintain vehicles. Employees have to submit an application before using a vehicle and are not allowed to use vehicles without prior approval. In addition, all vehicles have to accept statutory annual checks to ensure that they meet related environmental and safety standards. Vehicles that fail in the statutory annual checks or have any abnormality in emission systems are not allowed to be used, and shall be repaired as soon as possible. To protect environment, the Group has also purchased two battery carts (which run on charged battery instead of gasoline) for picking up employees and customers within the site area of operation to prevent the emission of harmful gases. This also represents part of the Group's efforts to promote energy saving and emission reduction.

The following table shows the types of emissions of the Company and the respective emission data:

Air emissions	**Unit**	
Nitrogen oxide (NOx) emission	grammes	136,091.86
Sulphur oxide (SOx) emission	grammes	668.85
Particulate (PM) emission	grammes	11,737.00

The following chart shows the emissions of greenhouse gas in the reporting period:



Greenhouse gas emissions	**Unit**	
Scope 1 total greenhouse gas emissions	CO_2e(metric ton)	150.59
Scope 2 total greenhouse gas emissions	CO_2e(metric ton)	1,233.25
Scope 3 total greenhouse gas emissions	CO_2e(metric ton)	124.43
Total greenhouse gas emissions	CO_2e(metric ton)	1,508.27
Intensity of greenhouse gas emissions	CO_2e(metric ton)/employee	4.04

Local Procurement Policy

The Group's subsidiaries have many suppliers, and our success in quality control can not be realised without cooperation of our suppliers. To standardise its supplier management and procurement, the Group has developed systems such as "Rules governing Supplier Assessment" and "Rules governing Administrative Procurement", and others. In addition, when making decisions on procurement, the Group encourages persons in charge in subsidiaries to consider a range of factors including the qualities, costs and environmental impacts of the materials. On the premise of fulfilling the Group's procurement policy, preference is given to the products, equipment and services of local suppliers, and priorities are given to suppliers in closer proximities who adopt eco-friendly means of transport. Procurement from local suppliers can reduce use of means of transport, emission of greenhouse gas, and occupation of public resources. When reducing risks in our supply chain, the Group also closely works with suppliers to develop solutions to achieve further resource conservation.

Policy for Advocating Environmental Protection to Stakeholders

Everyone shall help protect the environment. For effective implementation of the Group's emission reduction policy, the Group advocates the importance of carbon emissions reduction among all its stakeholders. The Group has adjusted the various internal systems to reduce carbon emission as much as possible. Moreover, the Group incorporates the values and knowledge of environmental protection into employees' training programmes in a top-down manner to build up employees' awareness on environmental protection, and provide guidance to employees on environmental protection practices in the daily operation. The Group integrates environmental protection requirements into employees' works. For example, employees shall comply with environmental standards when designing products, and explicit environmental requirements shall be put in place for all construction sites. The Group also calls on its suppliers and partners to operate in accordance with environmental regulations, use eco-friendly materials after considering and balancing all interests, and develop and implement diversified environmental management practices.

3.1.2 Use of Resources

The rapid economic growth is causing a shortage of energy and resources, as reflected by ongoing tight supply of electricity and coal, rising oil price, seasonable shortage of natural gas and increasingly serious pollution. The acute shortage of energy makes energy conservation and environmental protection imperative tasks. The Group is well aware of the high importance in conserving resources. To better conserve resources, the Group has developed a series of measures to minimise the consumption of water, electricity, oil, office supplies and other resources, including:

Energy Conservation Policy

Develop code of practice for use of air conditioning: The Group believes a scientific and reasonable operation management system can ensure the air conditioning system operates in a highly efficient manner, thereby reducing the energy consumption and repair times of air conditioners and prolonging the working life of air conditioners. To reduce the energy consumption of air conditioning system requires not only use of advanced technologies and energy-efficient products, but also an efficient operation management system for air conditioners. The Group's air conditioning system can only be operated and maintained by certified employees that have received related energy conservation trainings. Such employees shall operate, maintain and manage the air conditioning system in strict compliance with related requirements of the Group. In addition, the Group sets rules for uses of air conditioners in offices, which stipulate that office temperature under the air-conditioning setting shall not be lower than 25.5 degrees Celsius in summer and not be higher than 20 degrees Celsius in winter. Windows are not allowed to be opened during the operation of the air conditioning system. On the premise of fulfilling the above requirements, the Group's subsidiaries at different places may set other detailed standards based on local weather conditions and other factors.

With an energy conservation system for equipment use as the basis, the Group endeavors to raise employees' energy conservation awareness. To instill the energy conservation concept into every employee, the Group has established the employees' code of practice for energy conservation requiring employees to: switch off lighting facilities when they leave the office or the lighting facilities are no longer in use; switch off lightings, air conditioning system and computers whenever appropriate, or to set office equipment such as computers, printers, photocopiers, etc. in standby or other energy-saving modes during non-working hours such as lunch time; and switch off computers, displays and power strips to cut power supply when getting off work. In this way, the Group has fostered a workplace atmosphere that encourages energy conservation.

The office layout is designed to avoid blocking natural lighting. Transparent materials are used as much as possible in subdividing the office spaces. Some movable walls are also used. These measures maximise the use of natural lighting, and create building conditions that are conducive to natural lighting and indoor environment that makes full use of lighting facilities. Natural ventilation is used and windows are opened as much as possible to reduce the reliance on air conditioning. When the lights in offices need to be turned on, only the lights at the workstations of employees are switched on. Lights are not all turned on when there are only few people in offices. In summer, lights in the passages are not opened until 6:30 pm to ensure efficient monitoring and safety of company assets, and are turned off after 7:00 am the next day. During the operation of air conditioning, employees are requested to close doors and windows to avoid additional power consumption.

The Group gives priority to those with higher energy-efficiency when selecting products and equipment, which facilitates the Group's implementation of energy conservation measures. In addition, the Group has assigned designated employees to regularly inspect products and equipment, and timely repair and replace inefficient equipment in order to avoid unnecessary power consumption from poor performance of equipment. The Group has installed LED and other energy-efficient lights at its offices, conference rooms and passages to reduce power consumption of lighting facilities and increase the overall energy efficiency of the Group.

Wherever possible, the Group tries its best to adopt renewable energy or low-carbon high-quality energy sources to effectively conserve energy, reduce greenhouse gas emissions and prevent environmental pollution.

During the reporting period, the relevant business units of the Group recorded electricity consumption of approximately 1,964.36 MWh in total. The following table shows the consumption volumes of various energy sources during the reporting period:

Use of energy	**Unit**	
Diesel consumption	Litres	5,300.00
Liquefied petroleum gas consumption	Litres	13,251.89
Gasoline consumption (mobile source)	Litres	39,221.21
Electricity consumption	MWh	1,964.36

Water Conservation Policy

Everyone shall help conserve water. As water is a public resource, the Group believes conserving water is a responsibility and obligation for a company. Therefore, when complying with national and industrial water conservation standards, the Group also sets internal standards for water conservation. The Group has used advanced and economical water conservation technologies and methods that are in line with national and industrial policies and fit the business nature of the Group. In addition, the Group sets up systems to regulate water uses so as to promote water conservation. The Group holds water conservation trainings for all employees and actively promotes national and company rules, regulations, methods, requirements and standards in relation to water conservation. By doing this, the Group spreads water conservation knowledge and raises water conservation awareness of employees, and helps employees develop the habit of conserving water. Employees always remember to close water taps and avoid waste of water. In daily operations, reminders are posted near water supply sources advising employees and visitors to save water. Facilities like water pipes and taps are regularly inspected by designated personnel to ensure defects such as water leakages are timely repaired to prevent wastage of water.

During the reporting period, the Group's business units recorded water consumption of 73,929.28 m^3 in total.

Resources Conservation Policy

To conserve resources in offices, the Group promotes green workflow by automating the office work processes and using Internet as much as possible. The Group encourages its employees to maximise the use of electronic files and emails when making communications on work and saving files. The Group has also built an OA system to implement a paperless office in its entire process of review and approval. The Group has reduced the paper consumption in offices by using e-mail as the primary means of communication, and saving files on computers instead of printing or copying. To reduce paper consumption and cut printing costs, paper documents should be circulated with consideration of confidentiality requirements. The Group also maximises resource conservation in the process of using office equipment. For example, the Group has installed card readers for printers to strictly control the printing volume of paper and eradicate over-printing of paper. Employees' computers have also been preset with black and white printing mode to reduce the frequency of colour printing. Ink cartridges of printers and photocopiers are recycled as much as possible. When using printers, the Group encourages the employees to print on both sides of paper; and obsolete paper documents shall be processed by the documenter rather than being discarded. Designated departments of the Group are responsible for centralised procurement and management of office supplies in order to reasonably control procurement volume, use of office supplies and prevent wastage of resources.

In respect of resources conservation in the places of operation and construction sites, the Group gives priority to the controlling of primary resource consumption. The Group has upgraded and innovated the existing technologies, and introduced technologies, methods and processes that facilitate resource conservation, in order to reduce pollutants and recycle wastes in the process of production and construction activities. Resource recycling is a major consideration of the Group. The Group's products are designed and manufactured to be as recyclable as possible, and product designs must meet national environmental standards for design. In addition, the Group strictly controls the use of resources by standardised operations and workflows. Designated personnel are responsible for controlling use of resources to prevent any wastage of resources caused by improper operations.

Use of Resources	Unit	
Paper consumption	Metric ton	16.36
Toner consumption	Kilogramme	7.14

3.1.3 The Environment and Natural Resources

The major environmental impacts of the Group's property investment and development business are the environmental protection needs at construction sites of property development projects. The major environmental impacts of the Group's sports tourism and sports training businesses are the marine resources that the waterborne activities rely on and the potential impact of these activities, as well as the consumption of resources in the offices. In line with the promotion of environmental protection and resource utilisation within the Group, green procurement, green construction and green operation policies are advocated by the Group:

Green Procurement Policy

The Group actively supports the government's green procurement policies, and considers production needs, economic benefits and environmental targets in the process of procuring. Priority is given to suppliers that provide environmentally friendly products and services. These include environmentally certified materials or services, recycled products, reusable or recyclable materials, products that do not contain toxic or hazardous substances, equipment that can improve the efficiencies of energy and water usages, and other products or equipment that meet the regulatory requirements related to the environmental issues or have environmental labels indicating small negative environmental impacts of such products or equipment. This helps enterprises improve their environmental actions. In the meanwhile, the Group communicates the importance of green procurement to employees in order to raise employees' awareness of the environmental impact of procurement activities. The suppliers and contractors are encouraged to provide environmentally friendly products and services at competitive prices. The Group regularly and comprehensively assesses suppliers' products and services and rates cooperation levels based on suppliers' performance on an annual basis to ensure suppliers' full compliance with the Group's environmental standards.

Policy of Concurrent Designing, Construction and Use of Environmental Facilities in construction Projects

For construction projects, the Group has adopted a policy to ensure that environmental facilities in building projects are designed, constructed and put into use concurrently with main parts of the construction projects. Before commencement of the construction projects, an assessment must be carried out to study, forecast and gauge the negative environmental impact arising from location, designing and use of the building project. Preventive measures must be developed to manage such negative environmental impact. When designing the construction project, the Group encourages the use of new technologies, processes and equipment that cause no pollution and strives to enhance the efficiency in usage of resources and energy to reduce emission of pollutants at the source. Pollutions in the process of production are minimised pursuant to the requirements of clean production. At the stage of construction, designated personnel are responsible for ensuring concurrent construction and completion of environmental facilities and main parts of the construction projects. After completion of the construction projects, a pilot production and test run can only be launched after the completed products are accepted by the environmental authorities. In addition, the application for accepting the completed auxiliary environmental facilities shall be submitted to competent authorities within required period. Funds invested in environmental treatment of building projects as a percentage of total project investment shall not be lower than the level required by national laws.

Oceans Day

Ocean is part of the earth, and it not only contains many mineral resources, but also provides living spaces for many creatures. The Group enjoys a superior environment given by the nature in Judiaosha, one of the most beautiful beaches in Shenzhen. The Company is aware of the importance of and the responsibilities on marine conservation. The Group has strengthened the management of the Sport Centre and beaches to prevent any behaviour that can pollute the oceans. On Oceans Day 2018, New Sports Marine Sport Centre organised environmental conservation activities in Judiaosha, taking this opportunity to call upon the public to protect our oceans through actions. The Group also regularly organises activities of collecting garbage on beach and asks all employees to participate in the activities. In this way, the Group raises employees' awareness of protecting oceans and maintaining clean marine environment.

3.2 Social

3.2.1 Employment

The Group adheres to local employment laws and regulations and believes that employees are an important cornerstone of the Group's steady development. Therefore, the Group has built a sound human resource management system that sets a series of standards for recruitment, employees' activities, wage adjustment, promotion, termination of employment and other human resource-related matters, and ensures the Group's employees are treated in a fair and reasonable manner. In the reporting period, the Group did not experience any labour dispute.

Although there is no collective bargaining policy nor is the Group bound to any collective bargaining contract, the management emphasises the maintenance of a clear and constructive dialogue with the employees on company's matters. This commitment is included in the written policies on remuneration, working hours, employees' benefits, employees' training, health and safety, complaint handling and whistle-blowing mechanisms.

The Group is convinced that business success is tied with dedicated and motivated employees. As of 31 December 2018, the number of employees covered by this report in Hong Kong and throughout China is 373 in total. The distribution of employees by geographical region, gender, age group and employment category is as follow:

	Number of employees	Turnover rate (%)
By geographical region		
Hong Kong Office	18	5.55
Shenzhen Office	53	18.87
Changchun Company	27	0.00
Changsha Company	28	3.57
Marine Sport Centre	50	62.00
Marine Training Centre	26	19.23
Shantou Company	143	9.79
Weinan Company	28	17.86
By gender		
Employees — female	128	19.53
Employees — male	245	17.14
By age group		
Employees — Below 30	122	28.93
Employees — 30 to 50 years old	229	12.99
Employees — Above 50	22	4.55
By employment category		
Employees — part-time	9	
Employees — permanent	364	

Recruitment and Promotion

When recruiting, the Group ensures that each job applicant has due rights and will not be refused for employment due to factors such as gender, age, ethnicity or religious belief. Similarly, promotion decisions do not take into consideration of differences like age, religion, marital or child conditions, etc. The basis for promotion only takes reference to the employee's knowledge, skills and professionalism. The Group is committed to safeguarding the equal rights and interests of employees in the workplace.

Wages and Benefits

The Group ensures that the wage of every employee shall meet the legal minimum requirements defined by the local government, and purchases social insurance or other defined provident fund contribution plans for employees according to the local employment regulations. Assessment of labour market situations is conducted on annual basis. Reasonable and legal wage adjustments will be made to ensure competitive compensation packages for employees and reward the employees' contributions to the Group.

In addition to wages, the Group abides by the arrangement of statutory holidays and paid annual leaves, and provides holiday allowance for employees on major holidays. The Group also provides overtime and business trip meal allowance, and incentive paid leave, etc.

3.2.2 Health and Safety

The Group attaches great importance to the occupational health and safety of employees, and therefore formulated sound management system and standards. The Group regularly checks safety status of offices, places of operation and construction sites, and actively takes measures to mitigate safety risks, with an ultimate goal of building a zero-accident working environment.

Workplace Safety Management

The Group attaches great importance to safety in production and management, and requires all its subsidiaries to put in place safety management mechanism as per related standards. The Group has assigned designated staff to take charge of safety management, and regularly holds trainings and conferences on safety. On-site safety checks are conducted to ensure zero-accident workplace. Safety reminders are posted in the office and work areas, such as "Be Careful! Hot Surface" on water equipment, and "Do Not Move" on fire-fighting equipment. For positions with relatively high risks, in addition to posting relevant safety procedures and operating instructions in prominent places, we also provide employees with appropriate personal protective facilities for the prevention of occupational diseases and work injuries. To build a regular safety mechanism in workplace, the Group has set up a special taskforce to regularly inspect safety-related matters and bring to the employees' attention of risks such as fire, electric powers, chemicals, etc.

In relevant real estate development business, the Group arranges for production safety personnel with relevant production knowledge and management capability as well as relevant certificates to be on duty in compliance with Article 20 of 《中華人民共和國安全生產法》 (Production Safety Law of the People's Republic of China*).

Employee Body Check and Insurance

The Group is deeply aware of the importance of employees' health. Therefore, the Group regularly organises body checks for employees at medical institutes every year. The Group makes contributions to the 5 mandatory insurance schemes (pension fund, medical insurance, industrial injury insurance, unemployment insurance and maternity insurance) for employees, and organises its employees to participate in the government-recommended "critical illness insurance" scheme. For employees who work in the Group's relatively risky businesses such as property development and others, the Group has purchased commercial casualty insurances as protection for employees,

Employee Safety Training

The Group prepares a safety training plan for employees at the beginning of every year, which sets out details of the occupational health and safety trainings for employees, including identification of safety warning signs, operation of safety facilities, safe operating procedures at related positions, and lessons learned from safety accidents, etc. These trainings aim to raise the employees' safety awareness so that they can identify safety risks and stay vigilant. The Group also regularly arranges employees to go through fire and emergency drills in which they will familiarise themselves with basic self-rescue and emergency escape skills.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition to ensuring safety of the Group's employees, the Group also conducts safety supervision on the work practices of the contractors within the operation sites of the Group. Requiring these contractors to build sound safety management system and ensure good instruction on safety works, so as to optimise the management of occupational health and safety.

Safety at Sea (Such as Lifeguard Training)

Since part of the Group's businesses are carried out at the seaside, to safeguard the employees' and customers' personal safety, the Company has organised some of its employees to take the examination for the Qualification Certificate of Industry Practitioners（行業從業人員資格證書）awarded by the General Administration of Sport of China and Class 5 Lifeguard Work Permit（五級救生員上崗證）awarded by the Shenzhen Water Sports Association. In seaside operations, certified and experienced lifeguards are on duty all the time. The Group also regularly organises marine safety trainings for employees, partners and other marine workers to enhance their basic safety knowledge and skills.

Work and Life Balance

The Group is committed to maintaining the physical and mental health of employees, and highly concerned about the work-life balance of the employees, and as such, the Group fully leverages its advantages in human resource management, and effectively analyses the workload of each job position to assess the work intensity of employees and ensure reasonable workload. The Group does not force employees to work overtime. To help employees relax and relieve their work pressure, the Group has enhanced internal communication and allocated money to each department every quarter to fund recreational activities for the release of the employees' stress. These activities include employees' birthday parties, sports and fitness activities, and team building activities (such as camping), which have enriched employees' lives beyond their daily work.

During the reporting year, there was no non-compliance with local regulations related to occupational health and safety.

3.2.3 Development and Training

Believing that the quality of its employees is the upmost important element to sustain business development and to increase profitability, the Group is committed to allocating resources for the development of employees' competence, including the provision of adequate training for the employees in order to enhance their technical capability, professionalism and safety awareness.

The Group has designated employees to take charge of training activities, and has a clear strategy for training management. The Group's training includes both internal and external. Internally, communication and training opportunities are provided to employees to familiarise themselves with their jobs. Senior employees are assigned to provide guidance to other employees to help them understand operation details and job requirements in the Group. An open communication platform is put in place. Employees that give lectures can receive allowances for their efforts in training others. Externally, employees are arranged to attend corporate trainings, workshops, technical trainings, seminars, etc. to enhance their business skills and knowledges, and broaden their horizons.

3.2.4 Labour Standards

The Group strictly complies with《中華人民共和國勞動法》(Labor Law of the People's Republic of China*) and《中華人民共和國刑法》(Criminal Law of the People's Republic of China*), and prohibits the employment of child labour or forced labour. The Group is committed to hiring employees aged 18 or above, and will not force employees to work involuntarily in any way including involuntary overtime work.

During the reporting year, no child labour or forced labour was employed.

3.2.5 Supply Chain Management

For optimal procurement of materials and outsourcing services, the Group has established a sound supplier management system, which includes supplier selection standards, process assessment standards and suppliers' code of conduct. During the process of supplier selection, the Group will consider the quality of a supplier's products/services as well as the supplier's fulfilment of corporate social responsibility. The assessment of corporate social responsibilities covers the areas including environmental protection, occupational safety and health, staff employment status and potential negative social impacts. Only suppliers fulfilling related standards can be included in the Group's list of prospective suppliers. During the procurement of key items, the Group especially considers choosing suppliers with relevant certifications or awards in fulfilling social responsibility.

The Group's procurement avoids the use of a single supplier to effectively manage the risk of the supply chain. Through tendering, the quality and efficiency of the agreed procurements are guaranteed. During the process of tendering, the Group regulates the bidding and tendering activities by adopting relevant systems and regulations, and strictly complies with tendering-related laws and regulations, thereby creating an equal, open and fair bidding and tendering environment.

To ensure suppliers' continuous compliance, the Group regularly assesses the fulfilment of corporate social responsibility of key suppliers and other requirements defined by the Group, including compliance with product/service quality and code of conduct for suppliers. The Group's periodic assessment can be in form of written confirmations, on-site inspections and vendor feedback, with the purpose to evaluate the suppliers' performance in fulfilment of the Group's requirements.

3.2.6 Product Responsibility

The Group strictly complies with《中華人民共和國產品質量法》(Product Quality Law of the People's Republic of China*) and adopts a customer-centric approach, and all of the Group's businesses focus on customer service. To deliver quality customer services, the Group strengthens the frontline staff's service awareness, and trains them to enhance their communication skills and professionalism. In addition, a comprehensive set of after-sale service channels including telephone support hotline, Wechat, QQ and email are provided by the Group to help resolve the customers' problems at the earliest opportunity.

During the reporting year, no non-compliance case or customer complaint related to products occurred.

3.2.7 Anti-corruption

The Group has constantly placed great emphasis on anti-corruption. It takes disciplinary actions against employees involved in corrupt practices without any tolerance.

In accordance with the anti-corruption and integrity building measures such as the proposal to "establish and improve the system of punishment and prevention of corruption suitable for the socialist market economy system combining education, system and supervision" made at the Third Plenary Session of the 16th Central Committee of the Communist Party of China, the Group has formulated the "Management Measures for Complaints and Whistle-blowing"《投訴舉報管理辦法》to establish a feedback channel for integrity.

The Group has issued the "Rules governing Core Businesses", and carried out internal audits and process controls to prevent corruption. Moreover, the Group has effectively executed its anti-corruption system to ensure that the corruption is prevented at the root.

The Group has put in place a whistle-blowing mechanism, and has designated personnel to receive and handle whistleblower reports. All whistleblower reports will be filed and handled in secrecy. The auditing and legal affairs departments will pursue accountability for any violation of anti-corruption rules.

In addition, the Group requires all its employees to upheld high moral standards. Employees of the Group are prohibited from acts of accepting bribery. They are also not allowed to give bribes to government officials and representatives of commercial organisations.

Honest Cooperation Agreement

The Group believes integrity is a very important part of employees' business ethics. Employees shall adhere to high moral standards in business practices. To enhance stakeholders' awareness of integrities, the subsidiaries of the Group always attach the "Honest Cooperation Agreement" as an attachment to their agreements. Through this agreement, the cooperating parties will maintain their integrities and self-disciplines in business operation, so as to prevent unlawful behaviours.

The Group engages both internal and external auditors to audit the financial accounts of the Group, to ensure the accuracy of the Group's ledgers. The Group also keeps strengthening the internal financial control and supervision system.

During the reporting year, no unlawful case or complaint related to corruption occurred.

3.2.8 Community Investment

The Group has always actively engaged with communities to learn the needs of communities, and is committed to participating in community activities which will help establish a positive image of industry and the Group and respond to the needs of the communities. The Group also encourages employees to participate in charitable and fundraising activities. Our cooperation partners include community groups, charity organisations, government agencies and other local stakeholders.

The Group has always upheld the concept of "Charity through Sports". For many years the Group is committed to promoting and sponsoring charitable sport activities. In 2018, the Group organised and participated in "Earth Hour", "Low-Carbon Hike", "ACCA Community Day" and other charitable sport activities.

Support in Trainings of the Emergency Rescue Operation

The Group actively supports and serves the government's emergency rescue operation. Taking advantage of its two major platforms — New Sports Marine Sport Centre and New Sports Marine Training Centre, the Group provides joint-services and site support for charitable training of Shenzhen Dapeng Bay lifeguards volunteers, training for Shenzhen water rescue team, the rope rescue training and the "first responder" teacher training of Shenzhen Rescue Volunteers Federation, as well as the 2018 emergency management training of Emergency Governance Society of Shenzhen and Emergency Management Office of Shenzhen, contributing to the national emergency rescue operation.

Low-Carbon Hike

The 2018 Earth Hour is themed on the "Earth Hour 60+" lifestyle. The 60+ concept is proposed by World Wildlife Fund and calls on the public to think and act beyond the 60 minutes of Earth Hour to protect the environment. The 60+ lifestyle includes all green behaviours that can help protect the environment, conserve energy, reduce emission and promote sustainable development in environment and society. The Group has always supported environmentally friendly lifestyle. To respond to the calls in Earth Hour, the Group organised managerial staff to have a low-carbon hike at Lantau Island, Hong Kong in March 2018. The hike helped the Group's managers know more about the ecological diversity in Lantau Island and experience the eco-friendly lifestyle. In the activity, managers of the Group appreciated the values of beautiful environments, and deeply reflected on environmental policies and pollution treatment measures taken by Hong Kong government, civil organisations and environmentalists. The Group hopes that the project operated by the Dapeng subsidiary can become a pioneer in ocean culture development and marine environmental protection in Shenzhen. Going forward, the Group will spare no efforts to help protect ocean, beach and the earth as a whole.

ACCA Community Day

The ACCA Community Day is a fun charity event which aims to raise funds for the underprivileged groups and to promote the spirit of social cohesiveness and care in the community. Having been held for 22 consecutive years, the ACCA Community Day aims to bring hopes to grassroot citizens and underprivileged groups. This year's ACCA Community Day is themed on "painting the rainbow and creating hopes", and delivers benefits to the Hong Kong Society for the Blind, Operation Dawn and Senior Citizen Home Safety Association. A team that is made up of recruited volunteers and employees of the Group took part in the event. Through the charitable event, the team experienced the happiness of contributing to charity. Meanwhile, it was also hoped that everyone could help to promote the power of charity and deliver the message of love to the public.

There is no competition in contributing to charity, and the most important thing is to keep supporting charity. The Group has always adhered to its core value of "Cooperation, Innovation and Sharing" and contributed to the society through active participation in charitable activities and community building. The Group has fully leveraged its project resources to support charity and fulfill social responsibility, and communicate the power of love to the public.

* *For identification purpose only*


ACCA COMMUNITY DAY
Think Ahead 公益關愛日
New Sports Group Limited
新體育集團有限公司
NEW SPORTS GROUP LIMITED
INDIANA


ACCA Community Day 2019
公益關愛日

《ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT GUIDE》

CONTENT INDEX

Disclosure, Aspects, General Disclosure and Key Performance Indicators ("KPIs")	Description	2018 Environmental, Social and Governance Report
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental — Emissions
KPI A1.1	The types of emissions and respective emissions data.	Environmental — Air Emissions Table
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental — Greenhouse Gas Emissions Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	As relevant disclosure has no significance in relation to our business operation, we did not produce specific report on this matter.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	As relevant disclosure has no significance in relation to our business operation, we did not produce specific report on this matter.
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental — Emissions and Use of Resources
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental — Waste Reduction Policy, and Resource Conservation Policy
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental — Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental — Use of Energy Table

Disclosure, Aspects, General Disclosure and KPIs	Description	2018 Environmental, Social and Governance report
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental — Water Conservation Policy
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental — Energy Conservation Policy
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental — Water Conservation Policy
KPI A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume).	As relevant disclosure has no significance in relation to our business operation, we did not produce specific report on this matter.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental — The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental — The Environment and Natural Resources
B. Social		
Aspect B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti—discrimination, and other benefits and welfare.	Social — Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Social — Distribution of Employees Table
Aspect B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social — Health and Safety

Disclosure, Aspects, General Disclosure and KPIs	Description	2018 Environmental, Social and Governance report
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Social — Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social — Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social — Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social — Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Social — Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Social — Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Social — Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Social — Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Social — Anti-corruption

Disclosure, Aspects, General Disclosure and KPIs	Description	2018 Environmental, Social and Governance report
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Social — Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Social — Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Social — Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social — Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Social — Community Investment

INDEPENDENT AUDITOR'S REPORT

RSM Hong Kong
29th Floor, Lee Garden Two, 28 Yun Ping Road,
Causeway Bay, Hong Kong

T +852 2598 5123
F +852 2598 7230

www.rsmhk.com

羅申美會計師事務所
香港銅鑼灣恩平道二十八號
利園二期二十九字樓

電話 +852 2598 5123
傳真 +852 2598 7230

www.rsmhk.com

TO THE MEMBERS OF NEW SPORTS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of New Sports Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 94 to 215, 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, consolidated statement of changes in equity and 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

1. Goodwill and other intangible assets impairment assessment
2. Recoverability of inventories
3. Valuation of investment properties
4. Accounting for the acquisition of subsidiaries
5. Impairment assessment of trade receivables and contract assets

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Goodwill and other intangible assets impairment assessment	
Refer to notes 22 and 23 to the consolidated financial statements The Group has goodwill of HK$196,258,000 after impairment losses and other intangible assets of HK$743,200,000 after impairment losses at 31 December 2018 mainly arising from the acquisitions of Kingworld Holdings Limited ("Kingworld Holdings") in 2015 and Yue Jin Asia Limited ("Yue Jin Asia") in 2016. For the purpose of impairment testing, the goodwill and other intangible assets are allocated to CGUs. Those CGUs which include goodwill are tested for impairment at least annually. Management has concluded that no impairment losses were necessary on goodwill and other intangible assets in the year. This conclusion was based on value in use models that required significant management judgement in making assumptions about future revenues, profit margins and growth rates and in selecting an appropriate market discount rate.	Our procedures included: — Evaluating the independent external valuer's competence, capability and objectivity; — Assessing the integrity of the value in use models; — Challenging the reasonableness of management's key assumptions based on our knowledge of the business and industry; — Reconciling input data to supporting evidence, such as approved budgets and considering the historical accuracy of those budgets; — Assessing the appropriateness of the discount rates used with the assistance of our internal valuation specialists; — Considering the potential impact of reasonably possible downside changes in the key assumptions; and — Assessing the adequacy of the impairment disclosures in the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Recoverability of inventories	
Refer to note 28 to the consolidated financial statements The Group has inventories of HK$6,412,766,000 at 31 December 2018 in relation to the real estate business. Inventories are carried at the lower of cost and net realisable value. The determination of net realisable value involves significant management judgements and estimates. These include: — an estimate of expected sales prices which are based on recent sales price achieved; — an estimate of costs to complete; and — consideration of other factors specific to each property development project.	Our procedures included: — Assessing the estimated sales prices used by management by reviewing the latest sales prices that have been achieved; — Testing on a sample basis the costs incurred to date and management's estimates of costs to complete; — Assessing the current status of the property development projects and considering whether any site specific factors have been properly reflected in the estimates; — Considering the adequacy of the disclosures in the consolidated financial statements.
3. Valuation of investment properties	
Refer to note 21 to the consolidated financial statements The Group's investment properties comprise commercial and residential properties located in the People's Republic of China ("the PRC") and are stated at fair value of HK$2,830,073,000. All of the Group's investment properties are measured using the fair value model based on a valuation performed by an independent qualified professional valuer. The valuation of completed properties held for rental purpose was determined using a market comparison approach. The valuation of investment properties under construction was determined using a direct comparison approach. The determination of fair values of investment properties involves significant management judgements and estimates including appropriate comparables and the reversionary income potential of properties.	Our procedures included: — Evaluating the independent external valuer's competence, capability and objectivity; — Obtaining the valuation report of each property and assessing the appropriateness of the valuation methods applied; — Challenging the external valuer the methodologies and judgements used in valuing the investment properties and obtaining the market evidence that the external valuer used to support the key inputs; — Assessing the adequacy of the disclosures of the fair value measurement of investment properties including the fair value measurement hierarchy, the valuation technique and significant unobservable inputs in the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
4. Accounting for the acquisition of subsidiaries	
Refer to notes 45(a)&(c) to the consolidated financial statements (a) During the year ended 31 December 2018, the Group acquired 51% equity interests of Hunan Meilian Property Company Limited ("Hunan Meilian"), details of the acquisition are disclosed in note 45(a) to the consolidated financial statements. (b) During the year ended 31 December 2018, the Group acquired 100% equity interests of Micron Technology Development Limited ("Micron Technology"), details of the acquisition are disclosed in note 45(c) to the consolidated financial statements. Accounting for the acquisition requires the Group to determine the date of acquisition of Hunan Meilian and Micron Technology (the "Acquisition Date") for accounting purposes and the fair values of the identifiable assets and liabilities assumed at the Acquisition Date. Management engaged an external valuer to assess the fair values of the identifiable assets and liabilities assumed at the Acquisition Date. The fair values of the properties of Hunan Meilian and Micron Technology, and their subsidiaries at the Acquisition Date, which mainly included properties for sales under development and investment properties under construction, were determined based on direct comparison approach, while the fair values of other material identifiable assets and liabilities at the Acquisition Date, which mainly included bank and cash balances, deposits, prepayment and other receivables, trade and other payables, borrowings, and current and deferred income tax liabilities, were determined mainly based on their respective book values at the Acquisition Date. We consider the accounting for this acquisition as a key audit matter due to the level of estimates and judgements required to determine the Acquisition Date for accounting purposes and the fair values of the identifiable assets and liabilities assumed at the Acquisition Date.	Our procedures included: For the Acquisition Date: We assessed the appropriateness of the Acquisition Date determined by management through examining the terms in the transaction documents and other supporting documents for evidence if all pre-conditions for completion were fulfilled and the controlling power over Hunan Meilian and Micron Technology had been obtained by the Group at the Acquisition Date. For the fair values of the identifiable assets and liabilities assumed at the Acquisition Date: – Evaluating the independent external valuer's competence, capability and objectivity; – Obtaining the valuation report and assessing the appropriateness of the valuation methods applied to determine the fair values of the identifiable assets and liabilities assumed at the Acquisition Date; – For the valuation of the properties of Hunan Meilian and Micron Technology, and their subsidiaries: (a) For properties for sale and investment properties, assessing the reasonableness of relevant key assumptions used in the valuations including estimated price per square meter, term yield, reversionary yield, market rental rate and developer's profit margin of the selected properties by independently gathering and analysing the data of comparable properties in the market with similar characteristics such as location and property size;

Key Audit Matter	How our audit addressed the Key Audit Matter
4. Accounting for the acquisition of subsidiaries *(Continued)*	(b) For properties under development and investment properties under construction, further assessing the reasonableness of estimated development costs to completion of the selected properties by comparison with the approved budget, of which the reasonableness was assessed by comparison with the actual costs of completed properties of the Group; (c) For the fair values of other material identifiable assets and liabilities at the Acquisition Date, we performed certain audit procedures which mainly included: — Confirmed bank balances, borrowings and certain debtors' and creditors' balances directly with the counterparties; — Performed cut-off tests on trade receivables and payables; — Checked the calculation of current income tax provision and deferred income tax liabilities.

Key Audit Matter	How our audit addressed the Key Audit Matter
5. Impairment assessment of trade receivables and contract assets	
Refer to notes 29 and 30 to the consolidated financial statements As at 31 December 2018, the Group had trade receivables and contract assets of approximately HK$226,992,000 and HK$276,872,000 after allowance for doubtful debts of approximately HK$3,117,000 and HK$96,000 respectively. In general, the credit terms granted by the Group to the customers ranged between 30 to 120 days. Management performed periodic assessment on the recoverability of the trade receivables and contract assets and the sufficiency of allowance for doubtful debts based on information including credit profile of different customers, ageing of the trade receivables and contract assets, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the impairment assessment of trade receivables and contract assets under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures included: — Assessing whether trade receivables and contract assets had been appropriately grouped by management based on their shared credit risk characteristics; — Testing the accuracy and completeness of the data used by management to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data; — With the assistance of our internal valuation experts, testing the calculation of the historical loss rate and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions; — Testing the accuracy of the aging of trade receivables and contract assets on a sample basis to supporting documents; and — Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade receivables and contract assets outstanding at the reporting date.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information in the Company's 2018 annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidation 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 on the Other Information, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibility for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tam Shing Yu.

RSM Hong Kong
Certified Public Accountants
Hong Kong
27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	8	**1,892,396**	191,519
Cost of sales		**(1,758,278)**	(234,291)
Gross profit/(loss)		**134,118**	(42,772)
Selling expenses		**(13,264)**	(7,473)
Administrative expenses		**(87,814)**	(61,231)
Research and development expenses		**(2,361)**	(1,178)
Gain/(loss) on disposal of subsidiaries	45(d)&(e)(iii)	**34**	(3,600)
Gain on bargain purchase	45(a),(c)&(f)	**108,658**	43,348
Loss on disposal of financial assets at fair value through profit or loss ("FVTPL")		**(19,294)**	–
Fair value gain on investment properties	21	**203,290**	40,894
Fair value gain on financial assets at FVTPL		**–**	8,972
Fair value gain on contingent consideration payable		**37,145**	161,199
Fair value (loss)/gain on derivative financial assets		**(3,697)**	387
Impairment losses on goodwill	22	**–**	(75,263)
Impairment losses on other intangible assets	23	**–**	(19,996)
Net impairment losses on financial and contract assets		**(17,836)**	(134,971)
Other income, gains/(losses)	9	**40,311**	87,404
Profit/(loss) from operations		**379,290**	(4,280)
Finance costs	11	**(111,109)**	(49,145)
Profit/(loss) before tax		**268,181**	(53,425)
Income tax expense	12	**(106,344)**	(3,541)
Profit/(loss) for the year from continuing operations	13	**161,837**	(56,966)
Discontinued operation			
Profit for the year from discontinued operation	17	**–**	158,813
Profit for the year		**161,837**	101,847

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Other comprehensive income:			
Items that may not be reclassified to profit or loss:			
Fair value changes of equity instruments at fair value through other comprehensive income ("FVTOCI")		**(67,030)**	—
		(67,030)	—
Items that may be reclassified to profit or loss:			
Exchange differences arising on translating foreign operations		**(27,604)**	67,032
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**1**	23,740
		(27,603)	90,772
Other comprehensive income for the year, net of tax		**(94,633)**	90,772
Total comprehensive income for the year		**67,204**	192,619
Profit for the year attributable to:			
Owners of the Company		**103,138**	87,940
Non-controlling interests		**58,699**	13,907
		161,837	101,847
Total comprehensive income for the year attributable to:			
Owners of the Company		**(4,280)**	166,468
Non-controlling interests		**71,484**	26,151
		67,204	192,619
Earnings/(loss) per share	19		
From continuing and discontinued operations			
— Basic		**HK$0.028**	HK$0.053
From continuing operations			
— Basic		**HK$0.028**	(HK$0.043)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	20	76,665	63,230
Investment properties	21	2,830,073	724,333
Goodwill	22	196,258	187,486
Other intangible assets	23	743,200	832,821
Prepaid lease payments	25	104,717	—
Financial assets at FVTOCI	26	311,192	—
Available-for-sale financial assets	26	—	13,222
Derivative financial assets	27	3,138	6,835
Deferred tax assets	40	47,897	33,242
		4,313,140	1,861,169
Current assets			
Inventories	28	6,412,766	2,306,317
Contract assets	29	276,872	—
Gross amount due from customers for contract work	29	—	648,822
Trade and other receivables	30	622,087	559,138
Financial assets at FVTPL	31	—	263,333
Pledged bank deposits	32	253,481	—
Bank and cash balances	32	758,316	327,249
		8,323,522	4,104,859
Current liabilities			
Borrowings	33	4,455,282	1,492,657
Trade and other payables	35	2,054,672	552,229
Consideration payable	45(c)&(f)	10,000	901,500
Contingent consideration payable	39	56,855	—
Contract liabilities	36	690,939	—
Receipts in advance	36	—	47,144
Current tax liabilities		48,318	73,336
		7,316,066	3,066,866
Net current assets		1,007,456	1,037,993
Total assets less current liabilities		5,320,596	2,899,162

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Borrowings	33	**372,453**	—
Consideration payable	38	**120,474**	112,497
Contingent consideration payable	39	**—**	94,000
Financial guarantees	37	**60,831**	—
Deferred tax liabilities	40	**777,076**	312,707
		1,330,834	519,204
NET ASSETS		**3,989,762**	2,379,958
Capital and reserves			
Share capital	41	**202,978**	102,156
Reserves	43	**2,557,625**	1,657,306
Equity attributable to owners of the Company		**2,760,603**	1,759,462
Non-controlling interests		**1,229,159**	620,496
TOTAL EQUITY		**3,989,762**	2,379,958

Approved by the Board of Directors on 27 March 2019 and signed on its behalf by:

Zhang Xiaodong
Director

Xia Lingjie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company														
	Share capital	Share Premium	Share redemption reserve	Capital reserve	Other reserve	General reserve fund	Convertible bonds reserve	Shareholder's contribution	Translation reserve	Share options reserve	FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note 43(b)(i))	*(note 43(b)(ii))*	*(note 43(b)(iii))*	*(note 43 (b)(iv))*	*(note 43(b)(v))*	*(note 43(b)(vi))*	*(note 43(b)(vii))*	*(note 43(b)(viii))*	*(note 43(b)(ix))*					
At 1 January 2017	85,130	1,919,761	2,269	10,657	5,078	27,827	25,127	4,118	(15,301)	18,274	–	(677,233)	1,405,707	31,305	1,437,012
Total comprehensive income for the year	–	–	–	–	–	–	–	–	78,528	–	–	87,940	166,468	26,151	192,619
Transfer of share options reserve upon lapse of share options	–	–	–	–	–	–	–	–	–	(18,274)	–	18,274	–	–	–
Redemption of convertible bonds *(note 34)*	–	–	–	–	–	–	(25,127)	–	–	–	–	25,127	–	–	–
Disposal of subsidiaries *(note 45(e))*	–	–	–	(10,657)	(5,078)	(27,827)	–	–	–	–	–	43,562	–	(30,340)	(30,340)
Acquisition of subsidiaries *(note 45(f))*	–	–	–	–	–	–	–	–	–	–	–	–	–	593,380	593,380
Issue of shares on subscription *(note 41(d))*	17,026	170,261	–	–	–	–	–	–	–	–	–	–	187,287	–	187,287
Changes in equity for the year	17,026	170,261	–	(10,657)	(5,078)	(27,827)	(25,127)	–	78,528	(18,274)	–	174,903	353,755	589,191	942,946
At 31 December 2017	102,156	2,090,022	2,269	–	–	–	–	4,118	63,227	–	–	(502,330)	1,759,462	620,496	2,379,958
At 1 January 2018	**102,156**	**2,090,022**	**2,269**	**–**	**–**	**–**	**–**	**4,118**	**63,227**	**–**	**–**	**(502,330)**	**1,759,462**	**620,496**	**2,379,958**
Adjustments on initial application of – HKFRS 9 *(note 3)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,401)**	**(3,401)**	**(1,525)**	**(4,926)**
Restated balance at 1 January 2018	**102,156**	**2,090,022**	**2,269**	**–**	**–**	**–**	**–**	**4,118**	**63,227**	**–**	**–**	**(505,731)**	**1,756,061**	**618,971**	**2,375,032**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,388)**	**–**	**(67,030)**	**103,138**	**(4,280)**	**71,484**	**67,204**
Acquisition of subsidiaries *(note 45(a))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**332,904**	**332,904**
Disposal of a subsidiary *(note 45(d))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25**	**25**
Capital contributions from non-controlling equity holders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**205,775**	**205,775**
Issue of shares on subscription *(note 41(d))*	**20,432**	**183,881**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**204,313**	**–**	**204,313**
Issue of shares on placement *(note 41(c))*	**81,725**	**731,377**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**813,102**	**–**	**813,102**
Repurchase and cancellation of shares *(note 41(e))*	**(1,335)**	**(7,258)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,593)**	**–**	**(8,593)**
Changes in equity for the year	**100,822**	**908,000**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,388)**	**–**	**(67,030)**	**103,138**	**1,004,542**	**610,188**	**1,614,730**
At 31 December 2018	**202,978**	**2,998,022**	**2,269**	**–**	**–**	**–**	**–**	**4,118**	**22,839**	**–**	**(67,030)**	**(402,593)**	**2,760,603**	**1,229,159**	**3,989,762**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
Continuing operations		268,181	(53,425)
Discontinued operation		–	158,813
		268,181	105,388
Adjustments for:			
Interest income		(37,520)	(26,759)
Dividend income		(2,377)	(6,207)
Gain on disposal of subsidiaries		(34)	(155,643)
Finance costs	11	111,109	49,145
Gain on bargain purchase	45(a),(c)&(f)	(108,658)	(43,348)
Amortisation of other intangible assets	23	47,894	61,388
Amortisation of prepaid lease payments	25	3,904	–
Depreciation of property, plant and equipment	20	7,964	6,843
Loss on disposal of financial assets at FVTPL		19,294	–
Loss on disposal of property, plant and equipment		189	9
Loss on acquisition		3	–
Fair value gain on investment properties	21	(203,290)	(40,894)
Fair value gain on financial assets at FVTPL		–	(8,972)
Fair value gain on contingent consideration payable		(37,145)	(161,199)
Fair value loss/(gain) on derivative financial assets		3,697	(387)
Other income from derecognition of financial guarantee contract liabilities		(71,366)	–
Net impairment losses on financial and contract assets		17,836	134,971
Impairment losses on goodwill	22	–	75,263
Impairment losses on other intangible assets	23	–	19,996
Operating profit before working capital changes		19,681	9,594
Decrease in trade and other receivables		274,566	179,492
Decrease in other deposits		–	18,618
Purchase of financial assets at FVTPL		(49,998)	(254,361)
Proceeds from disposal of financial assets at FVTPL		294,037	–
Increase in inventories		(1,217,806)	(414,607)
Decrease in contract assets		345,149	–
(Decrease)/increase in receipts in advance		(58,718)	47,144
Decrease in deferred revenue		–	(4,373)
Increase in trade and other payables		670,901	189,073
Cash generated from/(used in) operations		277,812	(229,420)
Tax paid		(67,853)	(8,786)
Interest received		37,520	26,759
Net cash generated from/(used in) operating activities		247,479	(211,447)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income		**2,377**	6,207
Net cash (outflow)/inflow from disposal of subsidiaries	45(d)&(e)	**(125)**	23,387
Purchases of property, plant and equipment		**(14,634)**	(17,990)
Purchases of financial assets at FVTOCI		**(356,907)**	—
Balance payments for acquisition of subsidiaries		**(901,500)**	—
Acquisition of subsidiaries	45(a),(b),(c)&(f)	**(176,451)**	(205,596)
Capital contribution by non-controlling equity holders		**205,775**	—
Increase in pledged bank deposits		**(253,481)**	—
Proceeds from disposal of property, plant and equipment		**—**	475
Proceeds from disposal of financial assets at FVTOCI		**24,258**	—
Prepaid lease payments	25	**(112,900)**	—
Purchase of investment properties		**(285,048)**	(59,354)
Net cash used in investing activities		**(1,868,636)**	(252,871)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of corporate bonds	33	**497,500**	127,410
Proceeds from issue of shares on subscription	41(d)	**204,313**	187,287
Proceeds from issue of shares on placement	41(c)	**813,102**	—
Borrowings raised		**2,116,077**	429,440
Repurchase of shares	41(e)	**(8,593)**	—
Redemption of convertible bonds		**—**	(200,000)
Redemption of corporate bonds		**(137,126)**	(95,000)
Repayment of borrowings		**(1,355,531)**	(107,964)
Interest paid		**(91,765)**	(36,612)
Net cash generated from financing activities		**2,037,977**	304,561
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**416,820**	(159,757)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**327,249**	473,499
Effect of foreign exchange rate changes		**14,247**	13,507
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**758,316**	327,249
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**758,316**	327,249

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Unit 2602, 26/F., Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 31 December 2015, the Group acquired the entire equity interest in Kingworld Holdings Limited ("Kingworld Holdings"). A series of control agreements (the "Control Agreements") was entered into between a wholly-owned subsidiary of the Company incorporated in the People's Republic of China (the "PRC"), Kingworld Wuxian (Beijing) Sports Technology Co., Ltd. ("Kingworld Wuxian"), Kingworld (Beijing) Technology Co., Ltd. ("Kingworld Beijing"), Mr. Zhou Xu and Ms. Xu Rong who are the registered equity holders of Kingworld Beijing.

The Control Agreements enable the Group, through Kingworld Wuxian, to control Kingworld Beijing (the "Structured Subsidiary") with particulars as follows:

— exercise effective financial and operational control over the Structured Subsidiary;

— exercise owners' voting rights of the Structured Subsidiary;

— receive substantially all of the economic benefits generated by the Structured Subsidiary in consideration for the business supports, technical and consulting services provided by the Group;

— obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Structured Subsidiary from the respective owners at a minimum purchase price permitted under the PRC laws and regulations, and all or part of the assets of the Structured Subsidiary at the net book value of such assets or such minimum purchase price permitted under the PRC laws and regulations. The Group may exercise such options at any time until it has acquired all equity interests and/or all assets of the Structured Subsidiary; and

— obtain pledges over the entire equity interests of the Structured Subsidiary from their respective owners as collateral security for all of the Structured Subsidiary's payments due to the Group under the Control Agreements.

The Group does not have any equity interest in the Structured Subsidiary. However, as a result of the Control Agreements, the Group has rights to variable returns from its involvement with the Structured Subsidiary and has the ability to affect those returns through its power over the Structured Subsidiary and is considered to control the Structured Subsidiary. Consequently, the Company regards the Structured Subsidiary as indirect subsidiaries for accounting purpose.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 24 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

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

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

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTOCI or FVTPL, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

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

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. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

(b) Measurement *(Continued)*

- FVTOCI: 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 FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

The following table summaries the impact on the Group's opening retained earnings as at 1 January 2018 is as follows:

	Note	***HK$'000***
Increase in impairment losses for:		
— Trade and other receivables and contract assets	*(c)*	**(4,926)**
Related tax		**—**
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018		**(4,926)**
Attributable to:		
Owners of the Company		**(3,401)**
Non-controlling interests		**(1,525)**
		(4,926)

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	*Note*	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** ***HK$'000***	**Carrying amount under HKFRS 9** ***HK$'000***
Equity investments	*(a)*	**Available-for-sale**	**FVTOCI**	**13,222**	**13,222**
Equity investments	*(b)*	**FVTPL**	**FVTPL**	**263,333**	**263,333**
Derivative financial assets	*(b)*	**FVTPL**	**FVTPL**	**6,835**	**6,835**
Trade and other receivables	*(c)*	**Loans and receivables**	**Amortised cost**	**559,138**	**554,460**

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

Note:

(a) These equity investments represent unlisted investments that the Group intends to hold for the long term for strategic purposes. The Group elected to present in other comprehensive income ("OCI") changes in the fair value of these investments because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$13,222,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI without changes in fair value. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Equity securities — held for trading securities and derivative financial assets are required to be held as financial assets at FVTPL as under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

(c) Trade and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of HK$4,678,000 in the allowance for impairment of the trade and other receivables was recognised in opening retained earnings at 1 January 2019.

Impairment losses related to trade and other receivables are presented separately in the consolidated statement of profit or loss and other comprehensive income. As a result, the Group reclassified impairment losses amounting to HK$134,971,000 recognised under HKAS 39 from "other income, gains/(losses)" and "impairment loss on other receivables" to "net impairment loss on financial and contract assets" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

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

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

Revenue from trading of commodities is recognised when control of the commodities has transferred, being when the commodities are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the commodities.

A receivable is recognised when the commodities are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 15 Revenue from contracts with customers *(Continued)*

Revenue from online game operation is recognised after the virtual currency is used to purchase in-game items or premium features which is either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life of paying players as appropriate.

Revenue from provision of outsourcing game development services is recognised over the period in which the game development services are performed representing the entity's right to consideration for the services performed to date.

Revenue from displaying advertisements to the users of online games, mobile applications and other online platforms, and from sales of advertising spaces is recognised when the service is performed at the point an advertisement is displayed.

Revenue from performance based advertisements is recognised on a per-click basis when the users click on the content for pay for click advertisements, or on a per-display basis, when the advertising contents are displayed to users for pay for instant display advertisements.

Revenue from the sales of magazines is recognised when control of the goods has transferred, being at the point the customer the magazines are delivered.

Revenue from training services is recognised over the time of the service performed to customers.

Revenue from provision of yacht club services to membership holders are recognised over the membership period in which the yacht club services are performed. Payment for the membership therefore is recognised as a contract liability over the membership period.

Revenue from yacht parking services is recognised over the time of the services performed to customers.

Revenue from provision of yacht club services to other customers is recognised at the point services performed to the customers.

Revenue from real estate and property investments is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue from construction contracts (see note 4(h)).

Set out below is the impact of the adoption of HKFRS 15 on the Group.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 15 Revenue from contracts with customers *(Continued)*

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 *HK$'000*	Hypothetical amounts under HKAS 18 and 11 *HK$'000*	Estimated impact of adoption of HKFRS15 *HK$'000*
As at 31 December 2018			
Consolidated statement of financial position (extract)			
Gross amount due from customers for contract work	–	276,872	–
Contract assets	276,872	(276,872)	–

Reclassifications were made as at 1 January 2018 to be consistent with the terminology under HKFRS 15:

Previously, contract balances relating to construction contracts in progress were presented in the statement of consolidated financial statement under "Gross amount due from customers for contract work" or "Gross amount due to customers for contract work". To reflect these changes in presentation, the Group has made the following reclassification adjustments at 1 January 2018, as a result of the adoption of HKFRS15:

Contract assets recognised in relation to construction were previously presented as "Gross amount due from customers for contract work".

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 — 2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases *(Continued)*

As disclosed in note 48, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$17,793,000 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

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

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's presentation and functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment, including buildings, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Office equipment	10% — $33^1/_3$%
Motor vehicles	20% — 25%
Yacht	10% — 25%
Buildings	Over the shorter of the term of the lease, and 20-30 years
Leasehold improvements	Over the lease term

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(f) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(ee) and are reclassified to receivables when the right to the consideration has become unconditional.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Contract assets and contract liabilities *(Continued)*

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Policy prior to 1 January 2018

In the comparative period, contract balances were recorded for construction contracts at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. These net balances were presented as the "gross amount due from customers for contract work" (as an asset) or the "gross amount due to customers for contract work" (as a liability). Progress billings not yet paid by the customer were included under "trade and other receivables". Amounts received before the related work was performed were presented under "receipts in advance". These balances have been reclassified as on 1 January 2018 as shown in note 3.

(g) Properties for sale under development and held for sale

Properties for sale under development and held for sale are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(h) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Construction contracts *(Continued)*

The Group becomes entitled to invoice customers for construction of properties based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

Policy prior to 1 January 2018

Revenue from contract revenue contracts was recognised on a similar basis in the comparative period under HKAS 11.

(i) Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Other intangible assets

(i) Internally-generated intangible assets — Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's game operation is recognised only if all of the following conditions are met:

— An asset is created that can be identified (such as software and new processes);

— It is probable that the asset created will generate future economic benefits;

— The development cost of the asset can be measured reliably;

— The technical feasibility of completing the intangible asset so that it will be available for use or sale;

— The intention to complete the intangible asset and use or sell it; and

— The availability of adequate technical, financial and other resources to complete the development to use or sell the intangible asset.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(ii) Exclusive rights for operation of sports apps, non-competition right and copyrights

Exclusive rights for operation of sports apps, non-competition right and copyrights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated at rates sufficient to write off their cost over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Exclusive rights for operation of sports apps	1 — 3 years
Non-competition right	5 years
Copyrights	3 years

(iii) Operating right for operation of a marine sports base and a sailing school

Shenzhen Yuejin Sports Company Limited ("Yuejin Sports") entered into an agreement dated 27 August 2014 (the "Operation Entrustment Agreement") with Shenzhen Dapeng New District Management Committee, pursuant to which the operation of Shenzhen Marine Sports Base and Sailing School would be entrusted to Yuejin Sports for a period of twenty years (the "Operating Right"). Under the Operating Right, Yuejin Sports has developed the operations of a yacht club ("Yacht Club Business") and a school in provision of international education services ("School Business").

The Operating Right is initially measured at fair value upon acquisition of Yue Jin Asia and subsequently less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over an initial period of 20 years.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Other intangible assets *(Continued)*

(iv) Football players' registration

The Group operates a football club. The costs associated with the acquisition of players' and key football management staff's registrations are capitalised as intangible assets at the fair value of the consideration payable, including an estimate of the fair value of any contingent consideration. The costs associated with the acquisition of players' registrations include transfer fees, agents' fees and other directly attributable costs. These costs are amortised over the period covered by the player's contract or best estimated based on the player's physical conditions. To the extent that a player's contract is extended, the remaining book value is amortised over the remaining revised contract life.

(v) Licenses

Licenses are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 3 to 8 years.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

(l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

Debt investments

Debt investments held by the Group are classified into the following measurement category:

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

Equity investments

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

Policy prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVTPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments was recognised in profit or loss.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(o) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

— The post-tax profit or loss of the discontinued operation; and

— The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

— the amount determined in accordance with the ECL model under HKFRS 9 and

— the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(s) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

(t) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Equity instruments

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

(v) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host — with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Derivative financial instruments *(Continued)*

Derivatives embedded in hybrid contracts with a financial asset host within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

(w) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, 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.

(i) Online game operation

The Group operates its online games through cooperation with various third-party game distribution platforms including online application stores, web-based and mobile game portals and derives its revenue from sales of in-game currency and items.

The Group's online games allow players to play for free. Players can purchase in-game virtual currency, which can be used to obtain in-game items and premium features, commonly known as virtual items, to enhance their game-playing experience.

Players purchase the Group's in-game currency through the platforms' own charging systems by remitting the payment directly to the platforms. After deducting the commission charged by the platforms, the platforms remit the rest of net proceeds to the Group. The portion of the proceeds received by the Group is calculated based on the standard price of in-game virtual currency sold and agreed share ratio in contracts with the platforms.

The Group is responsible for providing ongoing updates of new contents, technical support for the operation of the games. The platforms are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections from players.

Certain third-party platforms like mobile game portals offer various marketing discounts from time to time to players to encourage spending on these platforms. The actual prices paid by individual players may be lower than the standard prices of virtual currency. Such marketing discounts are neither available to be tracked reliably nor borne by the Group. As such, the Group is not able to make a reasonable estimate of the gross revenue (the actual amounts paid by the players). For revenue related to these platforms, it is measured at the fair value of the consideration received or receivable, which is the net amount from these third-party platforms.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(i) Online game operation *(Continued)*

The in-game items and premium features, which are purchased by virtual currency, are considered value-added services. Once the players purchase virtual currency, the proceeds are recognised as a contract liability over a pre-specified period or throughout the whole game life representing the entity's obligation to provide services to date. The revenue will be recognised after the virtual currency is used to purchase in-game items or premium features which is either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life of paying players as appropriate. The Group monitors the operational statistics and usage patterns of the virtual items.

(ii) Provision of outsourcing game development services

Revenue from provision of outsourcing game development services is recognised based on the stage of completion of the contract. Payment for the outsourcing game development services is not due from customer until the development of game is completed and therefore a contract assets is recognised over the period in which the game development services are performed representing the entity's right to consideration for the services performed to date.

(iii) Sale of advertising spaces

Revenue from advertising spaces comprise mainly display based and performance based advertisements.

Revenue from displaying advertisements to the users of online games, mobile applications and other online platforms, and from sales of advertising spaces is recognised when the service is performed at the point an advertisement is displayed.

Revenue from performance based advertisements is recognised on a per-click basis when the users click on the content for pay for click advertisements, or on a per-display basis, when the advertising contents are displayed to users for pay for instant display advertisements.

(iv) Publication of magazines

Revenue from the sales of magazines is recognised when control of the goods has transferred, being at the point the customer the magazines are delivered.

(v) Training service

Revenue from training services is recognised over the time of the service performed to customers.

(vi) Yacht club services

Revenue from yacht club services comprise mainly income from members and other customers.

Revenue from provision of yacht club services to membership holders are recognised over the membership period in which the yacht club services are performed. Payment for the membership therefore is recognised as a contract liability over the membership period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(vi) Yacht club services *(Continued)*

Revenue from yacht parking services is recognised over the time of the services performed to customers.

Revenue from provision of yacht club services to other customers is recognised at the point services performed to the customers.

(vii) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(viii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(ix) Revenue from construction contracts

Revenue from construction contracts is recognised based on the stage of completion of the contract activity as detailed in note 4(h) above.

(x) Trading of commodities

Revenue from the sale of commodities is recognised when control of the commodities have transferred, being when the commodities have been shipped to the customer's specific location (delivery). The customer has full discretion over the manner of distribution and price to sell the commodities, has the primary responsibility when on selling the commodities and bears the risks of obsolescence and loss in relation to the commodities. A receivable is recognised by the Group when the commodities are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

(xi) Real estate and property investments

The Group develops and sells commercial and residential properties in the PRC. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

Policy prior to 1 January 2018

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 when specific criteria have been met for each of the Group's activities.

(i) Online game operation

The Group operates its online games through cooperation with various third-party game distribution platforms including online application stores, web-based and mobile game portals and derives its revenue from sales of in-game currency and items.

The Group's online games allow players to play for free. Players can purchase in-game virtual currency, which can be used to obtain in-game items and premium features, commonly known as virtual items, to enhance their game-playing experience.

Players purchase the Group's in-game currency through the platforms' own charging systems by remitting the payment directly to the platforms. After deducting the commission charged by the platforms, the platforms remit the rest of net proceeds to the Group. The portion of the proceeds received by the Group is calculated based on the standard price of in-game virtual currency sold and agreed share ratio in contracts with the platforms.

The Group is responsible for providing ongoing updates of new contents, technical support for the operation of the games. The platforms are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections from players.

Certain third-party platforms like mobile game portals offer various marketing discounts from time to time to players to encourage spending on these platforms. The actual prices paid by individual players may be lower than the standard prices of virtual currency. Such marketing discounts are neither available to be tracked reliably nor borne by the Group. As such, the Group is not able to make a reasonable estimate of the gross revenue (the actual amounts paid by the players). For revenue related to these platforms, it is measured at the fair value of the consideration received or receivable, which is the net amount from these third-party platforms.

The in-game items and premium features, which are purchased by virtual currency, are considered value-added services and rendered over a pre-specified period or throughout the whole game life. Once the players purchase virtual currency, the proceeds are recorded in deferred revenue and recognised in revenue after the virtual currency is used to purchase in-game items or premium features which is either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life of paying players as appropriate. The Group monitors the operational statistics and usage patterns of the virtual items.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

Policy prior to 1 January 2018 *(Continued)*

(ii) Sale of advertising spaces

Revenue from advertising spaces comprise mainly display based and performance based advertisements.

Revenue from displaying advertisements to the users of online games, mobile applications and other online platforms, and from sales of advertising spaces is recognised ratably over the contracted period, with advertisers and their advertising agencies, in which the advertisements are displayed.

Revenue from performance based advertisements is on a per-click basis when the users click on the content for pay for click advertisements, or on a per-display basis, when the advertising contents are displayed to users for pay for instant display advertisements.

(iii) Publication of magazines

Revenue from the sales of magazines is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the magazines are delivered and the title has passed to the customers.

(iv) Tuition fees

Tuition fees from school are generally paid in advance prior to the beginning of each academic year, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised as revenue proportionately over the year. The portion of tuition payments received from students but not yet earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that the school expects to earn within one year. The academic year is generally from September to August of the following year.

(v) Yacht parking fees

Yacht parking fees are recognised on a straight-line basis over the lease term.

(vi) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(vii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(viii) Revenue from construction contracts

Revenue from construction contracts is recognised based on the stage of completion of the contract activity as detailed in note 4(h) above.

(ix) Revenue from trading of commodities

Revenue from trading of commodities is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(y) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(z) 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 capitalised as part of 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Borrowing costs *(Continued)*

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(aa) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(bb) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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

(cc) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. PRC land appreciation tax is recognised as an income tax expense. PRC land appreciation tax paid is a deductible expense for PRC enterprise income tax purposes.

(dd) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(dd) Impairment of non-financial assets *(Continued)*

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(ee) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated using the probability of default, loss given default and the exposure at default with reference to the historical date of the market of the debtors', the industry. The loss allowance based on past due status is further distinguished between the Group's different customer bases.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ee) Impairment of financial assets and contracts assets *(Continued)*

Significant increase in credit risk *(Continued)*

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ee) Impairment of financial assets and contracts assets *(Continued)*

Definition of default

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

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

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

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

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

Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ee) Impairment of financial assets and contracts assets *(Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated 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, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Policy prior to 1 January 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ee) Impairment of financial assets and contracts assets *(Continued)*

Policy prior to 1 January 2018 *(Continued)*

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(ff) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(gg) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Control Agreements

The Group conducts its provision of online game services through the Structured Subsidiary. The Group does not have any equity interests in the Structured Subsidiary. The directors of the Company assessed whether or not the Group has control over the Structured Subsidiary based on whether the Group has the power over the Structured Subsidiary, has right to variable returns from its involvement with the Structured Subsidiary and has the ability to affect those returns through its power over the Structured Subsidiary. After assessment, the directors of the Company concluded that the Group has control over the Structured Subsidiary as a result of the Control Agreements and accordingly, the Group has consolidated the financial position and results of the Structured Subsidiary in the consolidated financial statements for the year ended 31 December 2018.

Nevertheless, the Control Agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Structured Subsidiary and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Structured Subsidiary. The directors of the Company, based on the advice of their legal counsels, consider that the Control Agreements are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

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

(a) Revenue and profit recognition

As explained in policy notes 4(h) and 4(w), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 29 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(a) Revenue and profit recognition *(Continued)*

During the year, HK$84,279,000 (2017: HK$Nil) of revenue from construction contracts was recognised.

(b) Income taxes

The Group is subject to income tax in the PRC. Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$106,344,000 (2017: HK$3,541,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$196,258,000 after an impairment loss of HK$Nil was recognised during the year. Details of the impairment loss calculation are provided in note 22 to the consolidated financial statements.

(d) Impairment of other intangible assets

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

The carrying amount of other intangible assets at the end of the reporting period was HK$743,200,000 after an impairment loss of HK$Nil was recognised during the year. Details of the impairment loss calculation are provided in note 23 to the consolidated financial statements.

(e) Fair value of investment properties

The Group appointed an independent professional valuer to assess the fair value of the investment properties. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 31 December 2018 was HK$2,830,073,000 (2017: HK$724,333,000).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Impairment of trade receivables and contract assets

Prior to the adoption of HKFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables and contract assets are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables and contract assets, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2017, the carrying amount of trade receivables and contract assets is HK$687,801,000.

Since the adoption of HKFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is 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, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of trade receivables and contract assets is HK$503,864,000 (net of allowance for doubtful debts of HK$3,213,000).

(g) Fair value of contingent consideration payable

As disclosed in note 39 to the consolidated financial statements, the fair value of the contingent consideration payable in relation to the acquisition of Yue Jin Asia at the date of acquisition and subsequent reporting dates was determined using the Company's share price based on quoted market price and the profit forecast of the subsidiaries. Application of profit forecast or management accounts requires the Group to estimate whether the financial performance of Yue Jin Asia for the year ended 31 December 2018 is expected to be or has been met.

As at 31 December 2018, the carrying amount of the contingent consideration payable in relation to the acquisition of Yue Jin Asia is HK$56,855,000 (2017: HK$94,000,000).

(h) Provision for net realisable value on properties for sale under development

The Group's properties for sale under development are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties for sale under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(h) Provision for net realisable value on properties for sale under development *(Continued)*

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale under development. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

The carrying amount of properties for sale under development as at 31 December 2018 was HK$6,287,130,000 (2017: HK$2,306,317,000).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities, RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2018, if the HK$ had weakened 5 per cent against RMB with all other variables held constant, consolidated profit/(loss) after tax for the year would have been HK$33,267,000 (2017: HK$27,091,000) higher/lower, arising mainly as a result of the foreign exchange gain on bank balances and deposits denominated in RMB. If the Hong Kong dollar had strengthened 5 per cent against RMB with all other variables held constant, consolidated profit/(loss) after tax for the year would have been HK$33,267,000 (2017: HK$27,091,000) lower/higher, arising mainly as a result of the foreign exchange loss on bank balances and deposits denominated in RMB.

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted on the Stock Exchange and Nasdaq Stock Exchange.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Price risk *(Continued)*

If equity prices had been 10% higher/lower (2017: 10% higher/lower):

— profit after tax for the year ended 31 December 2018 would increase/decrease by HK$Nil (2017: increase/decrease by HK$21,988,000). This is mainly due to the changes in fair value of held-for-trading investments; and

— other comprehensive income for the year ended 31 December 2018 would increase/decrease by HK$31,119,000 (2017: increase/decrease by HK$Nil) as a result of the changes in fair value of financial assets at FVTOCI.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Except for the financial guarantee given by the Group as set out in note 37, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 37.

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 — 120 days from the date of revenue recognition. Debtors with balances that are more than 3 — 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECL, which is calculated using the probability of default, loss given default and the exposure at default with reference to the historical date of the market of the debtors', the industry. The loss allowance based on past due status is further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables and contract assets as at 31 December 2018:

	Provision of online game services *HK$'000*	Yacht club *HK$'000*	Education and training *HK$'000*	Real estate and property investment *HK$'000*	Others *HK$'000*	Total trade receivables *HK$'000*	Contract assets *HK$'000*
Current (not past due) to 30 days past due							
Gross carrying amount	11,293	207	6,874	184,066	64	202,504	276,968
Expected loss rate (%)	0.29%	0.19%	1.13%	1.24%	0.19%		0.035%
Loss allowance	33	*	77	2,281	*	2,391	96
31 – 90 days past due							
Gross carrying amount	5,326	14	8,148	–	–	13,488	–
Expected loss rate (%)	1.72%	1.11%	2.58%	3.70%	1.11%		0.05%
Loss allowance	91	*	210	–	–	301	–
More than 90 days past due							
Gross carrying amount	1,840	6,378	5,899	–	–	14,117	–
Expected loss rate (%)	3.10%	2.17%	3.89%	5.83%	2.17%		0.24%
Loss allowance	57	139	229	–	–	425	–
Total							
Gross carrying amount	18,459	6,599	20,921	184,066	64	230,109	276,968
Loss allowance	181	139	516	2,281	*	3,117	96

* represented balance less than HK$'000

Expected loss rates are based on the probability of default, loss given default and the exposure at default with reference to the historical date of the market of the debtors', the industry. The loss allowance based on past due status is further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Prior to 1 January 2018

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivables of HK$16,757,000 was determined to be impaired and written off. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 *HK$'000*
Neither past due nor impaired	37,927
1 — 30 days past due	—
31 — 60 days past due	—
61 — 90 days past due	—
91 — 180 days past due	1,052
	38,979

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade and other receivables during the year is as follows:

	2018 ***HK$'000***	2017 *HK$'000*
At 31 December under HKAS 39	**—**	—
Impact on initial application of HKFRS 9 *(note 3)*	**4,678**	—
Adjusted balance at 1 January under HKFRS 9 (restated)	**4,678**	—
Impairment losses recognised for the year	**1,743**	16,757
Amounts written off during the year	**—**	(16,757)
Exchange differences	**(306)**	—
At 31 December	**6,115**	—

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2018:

— origination of new trade receivables net of those settled resulted in an increase in loss allowance of HK$6,115,000.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018					
Borrowings	**4,857,628**	**373,508**	**–**	**–**	**5,231,136**
Trade payables	**1,248,248**	**–**	**–**	**–**	**1,248,248**
Wages and salaries payables, interest payable, accruals and other payables	**806,424**	**–**	**–**	**–**	**806,424**
Consideration payable	**10,000**	**–**	**–**	**447,058**	**457,058**
Financial guarantees	**458,026**	**–**	**–**	**–**	**458,026**
At 31 December 2017					
Borrowings	1,514,953	–	–	–	1,514,953
Trade payables	364,878	–	–	–	364,878
Wages and salaries payables, accruals and other payables	178,477	–	–	–	178,477
Consideration payable	901,500	–	–	471,785	1,373,285

(e) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits which bear interests at variable rates that vary with the then prevailing market condition.

The Group's bank and other borrowings, and corporate bond bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Categories of financial instruments at 31 December

	2018 HK$'000	2017 HK$'000
Financial assets:		
Financial assets at FVTPL:		
Mandatorily measured at FVTPL — Held for trading	—	263,333
Financial assets measured at FVTOCI:		
Equity instruments	311,192	—
Financial assets measured at amortised cost	1,469,627	—
Contract assets	276,872	—
Loans and receivables (including cash and cash equivalents)	—	849,816
Derivative financial assets	3,138	6,835
Available-for-sale financial assets	—	13,222
Financial liabilities:		
Financial liabilities measured at amortised cost	7,012,881	3,050,009
Financial liabilities measured at FVTPL:		
Financial guarantees	60,831	—
Contingent consideration payable	56,855	94,000

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS *(Continued)*

Disclosures of level in fair value hierarchy at 31 December:

Description	Fair value measurements using:			
				2018
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Financial assets				
Derivative financial assets				
Put option	–	–	3,138	3,138
Financial assets at FVTOCI				
Listed equity securities	311,192	–	–	311,192
Investment properties				
Properties in the PRC	–	727,024	2,103,049	2,830,073
Total	311,192	727,024	2,106,187	3,144,403
Recurring fair value measurements:				
Financial liabilities				
Contingent consideration payable	–	–	56,855	56,855
Total	–	–	56,855	56,855

7. FAIR VALUE MEASUREMENTS *(Continued)*

Disclosures of level in fair value hierarchy at 31 December: *(Continued)*

Description	Fair value measurements using: Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	2017 Total *HK$'000*
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
Listed securities	263,333	—	—	263,333
Derivative financial assets				
Put option	—	—	6,835	6,835
Investment properties				
Properties in the PRC	—	596,414	127,919	724,333
Total	263,333	596,414	134,754	994,501
Recurring fair value measurements:				
Financial liabilities				
Contingent consideration payable	—	—	94,000	94,000
Total	—	—	94,000	94,000

Reconciliation of assets/liabilities measured at fair value based on level 3

Description	**2018**			
	Assets			**Liabilities**
	Put option *HK$'000*	**Investment properties** *HK$'000*	**Total** *HK$'000*	**Contingent consideration payable** *HK$'000*
At 1 January	6,835	127,919	134,754	(94,000)
Total gains or losses recognised in profit or loss	(3,697)	127,438	123,741	37,145
Acquisition of subsidiaries	–	1,344,444	1,344,444	–
Purchases	–	285,048	285,048	–
Reclassification	–	242,700	242,700	–
Exchange difference	–	(24,500)	(24,500)	–
At 31 December	3,138	2,103,049	2,106,187	(56,855)

7. FAIR VALUE MEASUREMENTS *(Continued)*

Reconciliation of assets/liabilities measured at fair value based on level 3 *(Continued)*

Description	2017				
	Assets				Liabilities
	Contingent consideration receivable *HK$'000*	Put option *HK$'000*	Investment properties *HK$'000*	Total *HK$'000*	Contingent consideration payable *HK$'000*
At 1 January	45,841	6,448	–	52,289	(255,199)
Total gains or losses recognised in profit or loss	–	387	37,134	37,521	161,199
Purchases	–	–	85,237	85,237	–
Transferred to other receivables	(45,841)	–	–	(45,841)	–
Exchange difference	–	–	5,548	5,548	–
At 31 December	–	6,835	127,919	134,754	(94,000)

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	**Valuation technique**	**Inputs**	**Fair value as at 31 December 2018** ***HK$'000***
Investment properties	Market comparable approach	Market price of comparable	**727,024**

Description	Valuation technique	Inputs	Fair value as at 31 December 2017 *HK$'000*
Investment properties	Market comparable approach	Market price of comparable	596,414

7. FAIR VALUE MEASUREMENTS *(Continued)*

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Observable/ unobservable inputs	Range	Effect on fair value for increase of inputs	Fair Value As at 31 December 2018 Assets/(liabilities) *HK$'000*
Investment properties	Direct comparison approach	Market prices of comparables	HK$32,803-HK$48,761 per square meter	Increase	2,103,049
Put option	Income approach	The Company's share price	HK$0.01	Increase	3,138
		Profit forecast	10%	Increase	
Contingent consideration payable	Income approach	The Company's share price	HK$0.01	Decrease	(56,855)
		Profit forecast	10%	Decrease	

Description	Valuation technique	Observable/unobservable inputs	Range	Effect on fair value for increase of inputs	Fair Value As at 31 December 2017 Assets/(liabilities) *HK$'000*
Investment properties	Income capitalisation approach	Capitalisation rate	6.5% – 7.5%	Decrease	127,919
		Monthly market rent	HK$14,012-HK$15,517 per square meter	Increase	
Put option	Income approach	The Company's share price	HK$0.01	Increase	6,835
		Profit forecast	10%	Increase	
Contingent consideration payable	Income approach	The Company's share price	HK$0.01	Decrease	(94,000)
		Profit forecast	10%	Decrease	

8. REVENUE

Disaggregation of revenue from contracts with customers by major products or service line for the year from continuing operations is as follows:

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of properties	1,052,091	—
Revenue from construction contracts	84,279	—
Advertising income	57	6,717
Online game operation	18,367	29,523
Publication of magazines	4	141
Trading of commodities	547,976	100,318
Tuition fees	—	14,714
Training service	64,101	—
Yacht club services	111,255	38,831
Others	3,630	—
	1,881,760	190,244
Revenue from other sources		
Rental income	10,636	1,275
	1,892,396	191,519

8. REVENUE *(Continued)*

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

2018	Provision of online game services HK$'000	Yacht club HK$'000	Education and training HK$'000	Real estate and property investment HK$'000	Construction HK$'000	Trading of commodities HK$'000	Others HK$'000	Total HK$'000
Primary geographical market								
The PRC								
Segment revenue	18,428	111,255	64,101	1,052,091	84,279	547,976	3,630	1,881,760
Intersegment revenue	–	–	–	–	–	–	–	–
Revenue from external customers	18,428	111,255	64,101	1,052,091	84,279	547,976	3,630	1,881,760
Timing of revenue recognition								
Products transferred at a point in time	61	139	–	1,052,091	–	547,976	3,630	1,603,897
Products and services transferred over time	18,367	111,116	64,101	–	84,279	–	–	277,863
Total	18,428	111,255	64,101	1,052,091	84,279	547,976	3,630	1,881,760
Revenue from other sources	–	–	–	10,636	–	–	–	10,636
	18,428	111,255	64,101	1,062,727	84,279	547,976	3,630	1,892,396

8. REVENUE *(Continued)*

2017	P2P financial intermediary services HK$'000	Software development HK$'000	Football club HK$'000	Provision of online game services HK$'000	Yacht club HK$'000	Education and training HK$'000	Real estate and property investment HK$'000	Trading of commodities HK$'000	Total HK$'000
Primary geographical market									
The PRC									
Segment revenue	–	–	–	36,381	38,831	14,714	–	100,318	190,244
Intersegment revenue	–	–	–	–	–	–	–	–	–
Revenue from external customers	–	–	–	36,381	38,831	14,714	–	100,318	190,244
Timing of revenue recognition									
Products transferred at a point in time	–	–	–	36,381	3,089	–	–	100,318	139,788
Products and services transferred over time	–	–	–	–	35,742	14,714	–	–	50,456
Total	–	–	–	36,381	38,831	14,714	–	100,318	190,244
Revenue from other sources	–	–	–	–	–	–	1,275	–	1,275
	–	–	–	36,381	38,831	14,714	1,275	100,318	191,519

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.

9. OTHER INCOME, GAINS/(LOSSES)

Continuing operations	**2018** ***HK$'000***	2017 *HK$'000*
Interest income from short term investments	**–**	5,136
Interest income from bank balances	**1,960**	3,845
Interest income from loan receivables	**35,560**	5,421
Interest income from deposits paid for a potential acquisition of a subsidiary	**–**	5,510
Other income from derecognition of financial guarantee contract liabilities	**71,366**	–
Government grants *(note (a))*	**262**	–
Dividend income	**2,377**	6,207
Rental income	**3,241**	3,330
Net foreign exchange (loss)/gain	**(75,876)**	14,978
Compensation from a main contractor *(note (b))*	**–**	41,475
Others	**1,421**	1,502
	40,311	87,404

Notes:

(a) Government subsidies include subsidies from local government for the encouragement of development of culture and creative companies of approximately HK$262,000 (2017: HK$Nil). The Group recognises the government subsidies when it fulfills all the conditions specified in the subsidy notice or relevant law and regulations.

(b) Compensation was received from a main contractor for properties for sale under development on delay of progress of construction.

10. SEGMENT INFORMATION

The Group has seven operating segments as follows:

Provision of online game services and platform services	—	design, development and operation of the mobile and web games and platform services
Yacht club	—	operation of a yacht club
Education and training	—	provision of international education and training services
Real estates and property investment	—	property development and property investment in the PRC
Trading of commodities	—	trading of commodities in the PRC
Construction	—	provision of construction works in the PRC
Others	—	operation of a golf practise court

Three operations (P2P financial intermediary business, software outsourcing and technical support services, and football club operation) were discontinued during the year ended 31 December 2017. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 17.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment result represents the profit/(loss) of each segment without allocation of central administration costs, directors' emoluments, fair value gain on contingent consideration payable, gain/(loss) on disposal of subsidiaries, gain on bargain purchase, fair value gain on investment properties, fair value (loss)/gain on derivative financial assets, fair value gain on financial assets at FVTPL, impairment losses on goodwill, impairment loss on other receivables, other income, gains/(losses) and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

10. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of revenue and results by operating segment of the Group:

For the year ended 31 December 2018

	Provision of online game services *HK$'000*	Yacht club *HK$'000*	Education and training *HK$'000*	Real estate and property investment *HK$'000*	Trading of commodities *HK$'000*	Construction *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue	18,428	111,255	64,101	1,062,727	547,976	84,279	3,630	1,892,396
Cost of sales	(6,710)	(48,730)	(30,459)	(1,046,574)	(547,699)	(72,692)	(5,414)	(1,758,278)
Gross profit/(loss)	11,718	62,525	33,642	16,153	277	11,587	(1,784)	134,118
Selling expenses	(378)	(1,319)	(31)	(11,532)	–	–	(4)	(13,264)
Administrative expenses	(11,551)	(3,461)	(2,470)	(27,458)	(2,205)	(296)	(2,924)	(50,365)
Research and development expenses	(2,361)	–	–	–	–	–	–	(2,361)
Segment results	(2,572)	57,745	31,141	(22,837)	(1,928)	11,291	(4,712)	68,128
Gain on bargain purchase								108,658
Fair value gain on investment properties								203,290
Fair value loss on derivative financial assets								(3,697)
Fair value gain on contingent consideration payable								37,145
Impairment loss on other receivables								(16,601)
Other income, gains/(losses)								21,051
Finance costs								(111,109)
Unallocated corporate expenses								(38,684)
Profit before tax								268,181

10. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2017

	Provision of online game services HK$'000	Yacht club HK$'000	Education and training HK$'000	Real estate and property investment HK$'000	Trading of commodities HK$'000	Total HK$'000
Revenue	36,381	38,831	14,714	1,275	100,318	191,519
Cost of sales	(66,638)	(31,570)	(35,747)	(100)	(100,236)	(234,291)
Gross (loss)/profit	(30,257)	7,261	(21,033)	1,175	82	(42,772)
Selling expenses	(399)	(663)	–	(6,411)	–	(7,473)
Administrative expenses	(18,085)	(2,004)	(2,880)	(9,684)	(243)	(32,896)
Research and development expenses	(1,178)	–	–	–	–	(1,178)
Impairment on other intangible assets	(19,996)	–	–	–	–	(19,996)
Segment results	(69,915)	4,594	(23,913)	(14,920)	(161)	(104,315)
Loss on disposal of subsidiaries						(3,600)
Gain on bargain purchase						43,348
Fair value gain on investment properties						40,894
Fair value gain on derivative financial assets						387
Fair value gain on financial assets at FVTPL						8,972
Fair value gain on contingent consideration payable						161,199
Impairment losses on goodwill						(75,263)
Impairment loss on other receivables						(45,841)
Other income, gains/(losses)						(1,726)
Finance costs						(49,145)
Unallocated corporate expenses						(28,335)
Loss before tax						(53,425)

10. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the assets and liabilities by operating segment of the Group:

At 31 December 2018

	Provision of online game services *HK$'000*	Yacht club *HK$'000*	Education and training *HK$'000*	Real estates and property investment *HK$'000*	Trading of commodities *HK$'000*	Construction *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	19,192	577,636	477,779	10,430,917	54,832	428,280	114,297	12,102,933
Unallocated assets								533,729
Consolidated total								12,636,662
Segment liabilities	68,919	76,531	163,747	6,187,156	599	152,427	4,233	6,653,612
Unallocated liabilities								1,993,288
Consolidated total								8,646,900

At 31 December 2017

	Provision of online game services *HK$'000*	Yacht club *HK$'000*	Education and training *HK$'000*	Real estates and property investment *HK$'000*	Trading of commodities *HK$'000*	Total *HK$'000*
Segment assets	29,778	331,627	631,819	4,004,962	122	4,998,308
Unallocated assets						967,720
Consolidated total						5,966,028
Segment liabilities	74,998	76,701	155,008	2,083,435	46	2,390,188
Unallocated liabilities						1,195,882
Consolidated total						3,586,070

10. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to operating segments other than unallocated bank and cash balances, goodwill, derivative financial assets, deferred tax assets, and assets used jointly by operating segments.

- bank and cash balances are allocated to operating segments based on the location of bank and cash balances.

- all liabilities are allocated to operating segments other than deferred tax liabilities, consideration payable, contingent consideration payable, corporate bonds, other borrowings and liabilities for which operating segments are jointly liable.

- liabilities payable to the government department such as tax bureau and social security department are allocated to operating segments based on the location of the tax bureau and social security department.

Other segment information

Year ended 31 December 2018

	Provision of online game services	Yacht club	Education and training	Real estates and property investment	Trading of commodities	Construction	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets	**95**	**11,284**	**1,209**	**1,984,467**	**–**	**–**	**108,575**	**2,105,630**
Depreciation and amortisation	**515**	**32,151**	**21,998**	**1,116**	**–**	**–**	**3,913**	**59,693**

Year ended 31 December 2017

	Provision of online game services	Yacht club	Education and training	Real estates and property investment	Trading of commodities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets	217	12,120	5,286	657,095	–	674,718
Depreciation and amortisation	15,322	30,374	22,219	64	–	67,979
Impairment on other intangible assets	19,996	–	–	–	–	19,996

Note: Non-current assets included investment properties, prepaid lease payments, property, plant and equipment and other intangible assets.

Geographical information

The operations of the Group, its revenue and non-current assets are located in the PRC.

10. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers in relation to continuing operations contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Trading of commodities		
Customer A	**–**	27,010
Customer B	**–**	26,372
Customer C	**–**	25,430
Customer E	**271,647**	–
Provision of online game services		
Customer D	**–**	22,500

11. FINANCE COSTS

Continuing operations	**2018**	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**40,915**	854
Interest on corporate bonds	**37,254**	11,988
Interest on other borrowings	**275,905**	47,563
Interest on loans from related parties *(note 49(a)(i))*	**1,188**	–
Interest on convertible bonds *(note 34)*	**–**	17,904
Imputed interest on consideration payable *(note 38)*	**14,409**	14,105
Total borrowing costs	**369,671**	92,414
Amount capitalised	**(258,562)**	(43,269)
	111,109	49,145

The weighted average capitalisation rate for the year on fund's borrowed is at a rate of 14.03% per annum (2017: 2.50%).

12. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

	Note	2018 HK$'000	2017 HK$'000
Current tax:			
PRC Enterprise Income Tax	(a)	30,349	9,128
PRC Land Appreciation Tax	(b)	23,897	–
		54,246	9,128
Under-provision in prior years:			
PRC Enterprise Income Tax		–	407
Deferred tax *(note 40)*:			
Current year		52,098	(5,994)
		106,344	3,541

(a) Corporate Income Tax

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for both years.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2017: 25%).

Pursuant to relevant laws and regulations in the PRC, an income tax of 10% is imposed on the capital gain on disposal of the PRC subsidiaries when the gain is realised from tax perspective.

(b) PRC Land Appreciation Tax

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax. The Group has estimated the tax provision for PRC Land Appreciation Tax according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC Land Appreciation Tax liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC Land Appreciation Tax is calculated.

12. INCOME TAX EXPENSE *(Continued)*

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) before tax (from continuing operations)	**268,181**	(53,425)
Taxation at the applicable PRC Enterprise Income Tax rate of 25% (2017: 25%)	**67,045**	(13,356)
Tax effect of income not taxable in determining taxable profit	**(29,328)**	(237,495)
Tax effect of expenses not deductible in determining taxable profit	**32,944**	245,492
Tax effect of temporary differences not recognised	**3,629**	5
Tax effect of utilisation of tax losses not recognised	**(5,522)**	—
Tax effect of tax losses not recognised	**13,679**	8,488
Under-provision in prior years	**—**	407
PRC Land Appreciation Tax	**23,897**	—
Income tax expense relating to continuing operations	**106,344**	3,541

13. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

Profit/(loss) for the year from continuing operations is stated after charging/(crediting) the following:

	2018 HK$'000	2017 HK$'000
Amortisation of other intangible assets (included in cost of sale)	47,894	61,388
Amortisation of prepaid lease payments	3,904	—
Acquisition-related costs (included in administrative expenses)	392	3,149
Auditor's remuneration		
— Annual audit	3,080	2,480
— Other audit and non-audit services	1,300	2,288
Fair value gain on contingent consideration payable	(37,145)	(161,199)
Loss on disposal of financial assets at FVTPL	19,294	—
Fair value loss/(gain) on derivative financial assets	3,697	(387)
(Gain)/loss on disposal of subsidiaries	(34)	3,600
Fair value gain on investment properties	(203,290)	(40,894)
Fair value gain on financial assets at FVTPL	—	(8,972)
Gain on bargain purchase	(108,658)	(43,348)
Depreciation of property, plant and equipment	7,964	6,843
Loss on disposal of property, plant and equipment	189	9
Operating lease charges		
— Office premises	6,117	6,340
— Motor vehicles	145	—
— Office equipment	9	—
Research and development expenses	2,361	1,178
Impairment losses on goodwill	—	75,263
Impairment losses on other intangible assets	—	19,996
Net impairment losses on financial and contract assets	17,836	134,971

Research and development expenses include staff costs of approximately HK$2,361,000 (2017: HK$1,178,000) which are included in the amounts disclosed separately in note 14 to the consolidated financial statements.

14. EMPLOYEE BENEFITS EXPENSE

	2018 HK$'000	2017 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**83,080**	41,036
Retirement benefit scheme contributions	**6,536**	3,909
	89,616	44,945

The five highest paid individuals in the Group during the year included two directors (2017: two directors) whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining three (2017: three) individuals are set out below:

	2018 HK$'000	2017 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**2,784**	2,027
Retirement benefit scheme contributions	**65**	82
	2,849	2,109

The emoluments fell within the following band:

	Number of individuals	
	2018	2017
Nil to HK$1,000,000	**2**	—
HK$1,000,001 to HK$1,500,000	**1**	3

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
	Fees *HK$'000*	Salaries and allowances *HK$'000*	Employer's contribution to a retirement benefit scheme *HK$'000*	Discretionary bonus *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Yao Jianhui *(note (f))*	–	–	–	–	–
Mr. Li Minbin *(note (g))*	–	–	–	–	–
Mr. Zhang Xiaodong *(note (j))*	–	1,200	–	100	1,300
Ms. Xia Lingjie *(note (k))*	–	917	37	29	983
Non-executive Directors					
Mr. Lau Wan Po	–	300	16	25	341
Mr. Wu Teng *(note (d))*	–	395	12	33	440
Ms. Zhan Yushan *(note (e))*	–	44	–	4	48
Mr. Chen Kaiben *(note (h))*	–	–	–	–	–
Independent Non-executive Directors					
Mr. Chen Zetong	240	–	13	20	273
Ms. He Suying	240	–	13	20	273
Dr. Tang Lai Wah	240	–	13	20	273
Mr. Wong Chun Bong *(note (i))*	9	–	–	–	9
Total for the year ended 31 December 2018	729	2,856	104	251	3,940

15. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
	Fees *HK$'000*	Salaries and allowances *HK$'000*	Employer's contribution to a retirement benefit scheme *HK$'000*	Discretionary bonus *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Zhang Xiaodong	–	1,200	–	100	1,300
Ms. Xia Lingjie	–	758	36	50	844
Non-executive Directors					
Mr. Lau Wan Po	–	300	16	25	341
Independent Non-executive Directors					
Mr. Chui Man Lung, Everett *(note (c))*	11	–	1	–	12
Mr. Chen Zetong	240	–	13	20	273
Ms. He Suying	240	–	13	20	273
Dr. Tang Lai Wah	240	–	13	20	273
Total for the year ended 31 December 2017	731	2,258	92	235	3,316

Notes:

(a) Neither the chief executive nor any of the directors waived any emoluments during the year (2017: Nil).

(b) Bonus is determined by the Salary Review Committee with reference to the performance of the Group.

(c) Mr. Chui Man Lung, Everett resigned as an independent non-executive director of the Company on 20 January 2017.

(d) Mr. Wu Teng has been appointed as a non-executive director of the Company on 24 August 2018.

(e) Ms. Zhan Yushan has been appointed as a non-executive director of the Company on 26 October 2018.

(f) Mr. Yao Jianhui was appointed as the executive director and the chairman of the Company on 20 December 2018.

(g) Mr. Li Minbin was appointed as the executive director of the Company on 20 December 2018.

(h) Mr. Chen Kaiben was appointed as the non-executive director of the Company on 20 December 2018.

(i) Mr. Wong Chun Bong was appointed as the independent non-executive director of the Company on 20 December 2018.

(j) Mr. Zhang Xiaodong resigned as the chairman and chief executive officer and was re-designated as the vice-chairman of the Company on 20 December 2018.

(k) Ms. Xia Lingjie resigned as the executive director and was appointed as the chief executive officer of the Company on 20 December 2018. On 27 March 2019, Ms. Xia Lingjie was re-appointed as the executive director of the Company.

15. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' material interests in transactions, arrangements or contracts

Save for the transactions mentioned elsewhere in the consolidated financial statements, no other significant transactions, arrangements and contracts in related to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

17. DISCONTINUED OPERATION

During the year ended 31 December 2017, the Group disposed Key Rich Corporation Limited ("Key Rich"), SinoCom Holdings (BVI) Limited ("SinoCom BVI") and Baoxin Football Club Co., Limited ("Baoxin Football"), which carried out P2P financial intermediary business, software outsourcing and technical support services, and football club operation respectively.

		2017 *HK$'000*
(a)	**Profit for the year from discontinued operation:**	
	Revenue	—
	Cost of services	—
	Administrative expenses	(439)
	Other income, gains/(losses)	9
	Loss before tax	(430)
	Income tax expense	—
	Gain on disposal of operation *(note 45(e)(i)(ii)(iv))*	159,243
	Income tax expense	—
	Profit for the year from discontinued operation (attributable to owners of the Company)	158,813
(b)	**Profit for the year from discontinued operation include the following:**	
	Depreciation	161
	Auditor's remuneration	—
(c)	**Cash flows from discontinued operation:**	
	Net cash outflows from operating activities	324

18. DIVIDENDS

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

19. EARNINGS/(LOSS) PER SHARE

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

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	3,646,786	1,665,289

(a) From continuing and discontinued operations

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

	2018 HK$'000	2017 HK$'000
Profit		
Profit for the purpose of calculating basic earnings per share	103,138	87,940

(b) From continuing operations

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company from continuing operations is based on the following:

	2018 HK$'000	2017 HK$'000
Profit/(loss)		
Profit/(loss) for the purpose of calculating basic earnings/(loss) per share	103,138	(70,873)

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2017 and 2018.

(c) From discontinued operation

Basic earnings per share from the discontinued operation for the year ended 31 December 2017 is HK9.54 cents per share based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK$158,813,000 and the denominators used are the same as those detailed above for basic earnings per share.

20. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Yacht HK$'000	Buildings HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2017	3,615	4,811	33,321	3,675	–	9,924	55,346
Exchange differences	272	103	2,609	276	–	1,172	4,432
Additions	535	105	2,103	–	–	13,770	16,513
Acquisition of subsidiaries *(note 45(f))*	371	422	225	–	–	–	1,018
Disposal of subsidiaries	(453)	(4,857)	(429)	–	–	–	(5,739)
Transfer	–	–	1,511	–	–	(1,511)	–
At 31 December 2017 and 1 January 2018	4,340	584	39,340	3,951	–	23,355	71,570
Exchange differences	64	373	(2,415)	(207)	(391)	(1,635)	(4,211)
Additions	1,638	36	1,916	–	–	11,044	14,634
Acquisition of subsidiaries *(note 45(a),(b)&(c))*	698	1,826	2,707	–	5,743	–	10,974
Disposals	–	–	(226)	–	–	–	(226)
At 31 December 2018	6,740	2,819	41,322	3,744	5,352	32,764	92,741
Accumulated depreciation							
At 1 January 2017	1,441	3,858	509	4	–	–	5,812
Exchange differences	126	93	207	17	–	–	443
Charge for the year	815	205	5,388	435	–	–	6,843
Disposals of subsidiaries	(232)	(4,097)	(429)	–	–	–	(4,758)
At 31 December 2017 and 1 January 2018	2,150	59	5,675	456	–	–	8,340
Exchange differences	328	42	(487)	(40)	(4)	–	(161)
Charge for the year	997	552	5,860	445	110	–	7,964
Disposals	–	–	(67)	–	–	–	(67)
At 31 December 2018	3,475	653	10,981	861	106	–	16,076
Carrying amount							
At 31 December 2018	3,265	2,166	30,341	2,883	5,246	32,764	76,665
At 31 December 2017	2,190	525	33,665	3,495	–	23,355	63,230

21. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Fair value		
Completed properties held for rental purpose:		
At 1 January	353,714	—
Additions	—	311,861
Acquisition of subsidiaries *(note 45(a))*	342,136	—
Fair value gains	75,853	33,784
Exchange differences	(44,679)	8,069
At 31 December	727,024	353,714
Investment properties under construction:		
At 1 January	370,619	—
Additions	285,048	—
Acquisition of subsidiaries *(note 45(c)&(f))*	1,344,444	345,154
Fair value gains	127,437	7,110
Exchange differences	(24,499)	18,355
At 31 December	2,103,049	370,619
Total	2,830,073	724,333
Unrealised gain on properties revaluation included in profit or loss for the financial year	203,290	40,894

Investment properties were revalued at 31 December 2018 on the open market value basis by reference to market evidence of recent transactions for similar properties by Valtech Valuation Advisory Limited, an independent firm of professional surveyors.

The valuation for completed properties held for rental purpose was derived using the market comparable approach based on recent market prices without any significant adjustment being made to the market observable data.

The valuation for investment properties under construction was arrived at by making reference to comparable sales as available in the relevant market. The construction cost incurred and estimated construction cost to complete the development as at the date of valuation are also taken into account.

At 31 December 2018, the carrying amount of investment properties amounting to HK$288,167,000 (2017: HK$Nil) is pledged as security for the Group's bank loans (note 33(a)).

22. GOODWILL

	HK$'000
Cost	
At 1 January 2017	952,310
Derecognised on disposal of subsidiaries *(note 45(e)(i))*	(322,861)
Exchange differences	52,272
At 31 December 2017 and 1 January 2018	681,721
Arising on acquisition of subsidiaries *(note 45(b))*	19,358
Exchange differences	(36,490)
At 31 December 2018	664,589
Accumulated impairment	
At 1 January 2017	702,396
Impairment loss recognised in current year	75,263
Derecognised on disposal of subsidiaries *(note 45(e)(i))*	(320,861)
Exchange differences	37,437
At 31 December 2017 and 1 January 2018	494,235
Exchange differences	(25,904)
At 31 December 2018	468,331
Carrying amount	
At 31 December 2018	196,258
At 31 December 2017	187,486

22. GOODWILL (Continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill (net of accumulated impairment losses) had been allocated as follows:

	2018 HK$'000	2017 HK$'000
Provision of online game services		
Kingworld Holdings	–	–
Operation of a yacht club		
Shenzhen Dapeng Yacht Club Company Limited		
("Dapeng Yacht Club")	67,538	71,274
Provision of international education services		
Shenzhen Dapeng International Education Company Limited		
("Dapeng International Education")	110,121	116,212
Real estate and property investment		
Yunfu Baoneng Property Limited ("Yunfu Baoneng")	18,599	–
	196,258	187,486

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts of Dapeng Yacht Club, Dapeng International Education and Yunfu Baoneng derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%, 3% and 3% respectively. These rates do not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows are set out as follows:

Dapeng Yacht Club:	18% (2017: 18%)
Dapeng International Education:	16% (2017: 18%)
Yunfu Baoneng:	14% (2017: N/A)

At 31 December 2017, goodwill of HK$75,263,000 was allocated to Kingworld Holdings within the online game services segment. Due to the slow growth in number of users for sport apps, the Group has revised its cash flow forecasts for this CGU. The CGU has been reduced to its recoverable of HK$Nil and an impairment loss of HK$75,263,000 recognised on goodwill within the online game services segment.

23. OTHER INTANGIBLE ASSETS

	Exclusive rights for operation of sport apps HK$'000	Non-competition right HK$'000	Copyrights HK$'000	Operating right HK$'000	Licenses HK$'000	Football players' registrations HK$'000	Total HK$'000
Cost							
At 1 January 2017	26,072	14,007	162,247	820,035	24,573	35,772	1,082,706
Disposal of subsidiaries *(note 45(e)(iii))*	–	–	(157,351)	–	(24,817)	(38,464)	(220,632)
Exchange differences	1,961	1,054	2,032	61,691	244	2,692	69,674
At 31 December 2017 and 1 January 2018	28,033	15,061	6,928	881,726	–	–	931,748
Exchange differences	(1,469)	(789)	(363)	(46,214)	–	–	(48,835)
At 31 December 2018	26,564	14,272	6,565	835,512	–	–	882,913
Accumulated amortisation and impairment losses							
At 1 January 2017	9,981	2,802	157,952	364	3,518	35,772	210,389
Amortisation for the year	8,334	2,902	2,225	46,738	1,189	–	61,388
Impairment loss	8,651	9,036	2,309	–	–	–	19,996
Disposal of subsidiaries *(note 45(e)(iii))*	–	–	(157,351)	–	(4,735)	(38,464)	(200,550)
Exchange differences	1,067	321	1,793	1,803	28	2,692	7,704
At 31 December 2017 and 1 January 2018	28,033	15,061	6,928	48,905	–	–	98,927
Amortisation for the year	–	–	–	47,894	–	–	47,894
Exchange differences	(1,469)	(789)	(363)	(4,487)	–	–	(7,108)
At 31 December 2018	26,564	14,272	6,565	92,312	–	–	139,713
Carrying amount							
At 31 December 2018	–	–	–	743,200	–	–	743,200
At 31 December 2017	–	–	–	832,821	–	–	832,821

23. OTHER INTANGIBLE ASSETS *(Continued)*

On 27 August 2014, Yuejin Sports entered into an Operation Entrustment Agreement with Shenzhen Dapeng New District Management Committee, pursuant to which the operation of Shenzhen Marine Sports Base and Sailing School would be entrusted to Yuejin Sports for a period of twenty years for a total cash consideration of RMB785,000,000 (equivalent to HK$877,552,000), 50% of which amounting to RMB392,500,000 (equivalent to HK$438,776,000) was paid in 2014 and the balance of RMB392,500,000 will be settled by 10 equal annual instalments of RMB39,250,000 (equivalent to HK$43,877,600) each from the eleventh year of the date on which the assets were transferred. The transfer of assets was completed on 11 March 2015.

As at 31 December 2018, the average remaining amortisation period of other intangible assets are ranged from 1 to 16 years (2017: ranged from 1 to 17 years).

These assets are used in the Group's online game operations, operation of a yacht club and provision of international education service.

The Group carried out reviews of the respective recoverable amount of its exclusive rights for operation of sport apps, non-competition right and copyrights within online game operations segment in 2017, having regard to the keen competition and shorter than expected game life cycles and the slow growth in number of users for sports apps since launch of the sports apps during the year ended 31 December 2017. The review led to the recognition of an impairment loss of HK$8,651,000 for exclusive rights for operation of sport apps, HK$9,036,000 for non-competition right and HK$2,309,000 for copyrights that have been recognised in profit or loss for the year ended 31 December 2017. The recoverable amount of HK$Nil for exclusive rights for operation of sport apps, non-competition right and copyrights within online game operations has been determined on the basis of their value in use using discounted cash flow method. The discount rate of exclusive rights for operation of sport apps, non-competition right and copyrights used was Nil% (2017: 29%), Nil% (2017: 29%) and ranged from Nil% (2017: 24%) to Nil% (2017: 29%) respectively.

24. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing Direct	Indirect	Principal activities
New Sports Investment Holding Limited	British Virgin Islands	Ordinary share US$1	100%	–	Investment holding
Yue Jin Asia	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
Baoxin International Development Limited	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
Micron Capital Limited	British Virgin Islands	Ordinary share US$ 50,000	–	100%	Investment holding
Kingworld Holdings	Republic of Seychelles	Ordinary shares US$1,000	100%	–	Investment holding
New Sports Management Limited	Hong Kong	Ordinary share HK$1	–	100%	Administrative for the group
Qianhai Sports Group Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Star Creation Development Limited	Hong Kong	Ordinary shares HK$10,000	–	100%	Investment holding
Micron Technology Development Limited	Hong Kong	Ordinary shares HK$80,000,000	–	100%	Investment holding
Nayuan Development Limited	Hong Kong	Ordinary shares HK$10,000,000	–	100%	Investment holding
Baoxin Development (Hong Kong) Limited	Hong Kong	Ordinary share HK$1	–	100%	Inactive
Baoxin Group (Hong Kong) Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
World Travel International Group Company Limited	Hong Kong	Ordinary share HK$10	–	70%	Investment holding
Baoxin Holdings Limited ("Baoxin Holdings") (previously known as "Shenzhen Baoxin Sport Industry Limited)	The PRC	Registered capital RMB1,000,000,000	–	100%	Trading of commodities and property investment
Shenzhen Baoxin Industrial Company Limited ("Baoxin Industrial")	The PRC	Registered capital RMB1,500,000,000	–	100%	Trading of commodities and property investment
Shenzhen Jitong Industrial Company Limited ("Jitong Industrial")	The PRC	Registered capital RMB700,000,000	–	100%	Real estate development

24. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			Direct	Indirect	
Changchun City Baoxin Property Development Company Limited ("Changchun Baoxin")	The PRC	Registered capital RMB426,000,000	–	70.42%	Real estate development
Shenzhen Baoxin Recreation and Sports Company Limited ("Baoxin Recreation and Sports")	The PRC	Registered capital RMB50,000,000	–	100%	Operation of a golf practise court
Shenzhen Baoxin Logistics Company Limited ("Baoxin Logistics")	The PRC	Registered capital RMB300,000,000	–	60%	Inactive
Weinan Baoneng Property Company Limited ("Weinan Baoneng")	The PRC	Registered capital RMB300,000,000	–	60%	Real estate development
Hunan Meilian Property Company Limited ("Hunan Meilian")	The PRC	Registered capital RMB163,265,036	–	51%	Real estate and property investment
Yunfu Baoneng Property Limited	The PRC	Registered capital RMB50,000,000	–	100%	Real estate development
Shenzhen Qianhai Micron Technology Limited ("Qianhai Micron")	The PRC	Registered capital HK$100,000,000	–	100%	Investment holding
Shenzhen Hong Jia Xin Technology Limited ("Hong Jia Xin")	The PRC	Registered capital RMB50,000,000	–	100%	Investment holding
Shantou Taisheng Technology Limited ("Shantou Taisheng")	The PRC	Registered capital RMB5,000,000,000	–	100%	Real estate and property investment
Kingworld (Beijing) Technology Company Limited	The PRC	Registered capital RMB15,966,030	–	100%	Provision of online game services
Kingworld Wuxian (Beijing) Sports Technology Company Limited	The PRC	Registered capital HK$40,000,000	–	100%	Provision of technical and consulting services
FFMobile Technology Co., Ltd.	The PRC	Registered capital RMB1,000,000	–	100%	Publication of the Beijing Guoan Football Club magazines
Shenzhen Yuejin Sports Company Limited	The PRC	Registered capital RMB600,000,000	–	100%	Investment holding
Shenzhen Ruiteng Enterprise Management Company Limited	The PRC	Registered capital RMB10,000,000	–	100%	Investment and property holding

24. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing Direct	Indirect	Principal activities
Shenzhen Qianhai Virdom Education Company Limited	The PRC	Registered capital RMB10,000,000	–	100%	Investment and property holding
Dapeng International Education	The PRC	Registered capital RMB30,000,000	–	100%	Provision of education and training service
Dapeng Yacht Club	The PRC	Registered capital RMB200,000,000	–	100%	Operation of a yacht club
Shenzhen Dapeng Xinqu Virdom International Academy	The PRC	Registered capital RMB5,000,000	–	100%	Provision of education and training services
World Travel Development (Shenzhen) Company Limited	The PRC	Registered capital RMB200,000,000	–	70%	Inactive
Shenzhen Borui Enterprise Management Company Limited ("Shenzhen Borui")	The PRC	Registered capital RMB720,000,000	–	100%	Investment holding
Shenzhen Chaoshang Joint Investment Company Limited ("Chaoshang Joint Investment")	The PRC	Registered capital RMB625,000,000	–	56.80%	Investment holding
Chaoshang Group (Shantou) Investment Company Limited	The PRC	Registered capital RMB600,000,000	–	56.80%	Real estate and property investment
Chaoshang Joint (Shantou) Investment Company Limited	The PRC	Registered capital RMB350,000,000	–	56.80%	Inactive
Shantou Chaoshang Chengzhen Comprehensive Management Company Limited	The PRC	Registered capital RMB600,000,000	–	54.66%	Real estate and property investment and infrastructure construction

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

As at 31 December 2018, the bank and cash balances of the subsidiaries of the Group in the PRC denominated in RMB amounted to HK$744,221,000 (2017: HK$127,322,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table shows information on the subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Hunan Meilian	Changchun Baoxin	Weinan Baoneng	Chaoshang Joint Investment	
	2018	2018	2018	2018	2017
Principal place of business/ country of incorporation	The PRC/ The PRC	The PRC/ The PRC	The PRC/ The PRC	The PRC/ The PRC	The PRC/ The PRC
% of ownership interests/voting rights held by NCI	49%/49%	29.58%/29.58%	40%/40%	43.2%/43.2%	43.2%/43.2%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December:					
Non-current assets	340,787	195	315	647,121	296,661
Current assets	1,677,050	569,952	343,450	3,753,243	3,082,106
Non-current liabilities	(202,089)	–	–	(582,110)	(183,173)
Current liabilities	(1,137,212)	(163,841)	(4,181)	(2,196,824)	(1,712,985)
Net assets	678,536	406,306	339,584	1,621,430	1,482,609
Accumulated NCI	332,483	120,185	135,834	700,278	640,487
Year ended 31 December:					
Revenue	576,881	–	–	84,279	–
Profit/(loss) for the year	46,088	(3,878)	(2,184)	125,701	29,163
Total comprehensive income	22,583	(3,878)	(2,184)	125,701	18,188
Profit/(loss) allocated to NCI	22,639	(1,147)	(874)	54,303	12,598
Dividend paid to NCI	–	–	–	–	–
Net cash generated from/(used in) operating activities	5,105	(515,113)	(112,534)	(846,453)	44,128
Net cash generated from/(used in) financing activities	266,349	519,627	102,867	1,106,424	–
Net increase/(decrease) in cash and cash equivalents	271,454	4,514	(9,667)	259,971	44,128

Hunan Meilian was acquired in a business combination (note 45(a)). The amounts disclosed as above have reflected the effects of the acquisition accounting, with which fair value adjustments, goodwill and tax are included.

25. PREPAID LEASE PAYMENTS

The Group's interests in prepaid lease payments represent prepaid operating lease payments and their net book value are analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**–**	–
Additions	**112,900**	–
Amortisation of prepaid lease payments	**(3,904)**	–
Exchange differences	**(4,279)**	–
At 31 December	**104,717**	–

26. FINANCIAL ASSETS AT FVTOCI (2017: AVAILABLE-FOR-SALE FINANCIAL ASSETS)

	2018	2017
	HK$'000	*HK$'000*
Non-current:		
Listed investments, at fair value		
Equity securities in Hong Kong	**298,448**	–
Equity securities in the USA	**12,744**	–
Unlisted equity securities in the PRC	**–**	13,222
	311,192	13,222

The fair values of listed securities are based on current bid prices.

At 31 December 2017, unlisted equity securities with carrying amount of HK$13,222,000 were carried at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

26. FINANCIAL ASSETS AT FVTOCI (2017: AVAILABLE-FOR-SALE FINANCIAL ASSETS) *(Continued)*

Financial assets at FVTOCI (2017: Available-for-sale financial assets) are denominated in the following currencies:

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong dollars	298,448	–
US dollars	12,744	–
RMB	–	13,222
	311,192	13,222

At 31 December 2018, listed investments with an aggregate carrying amount of HK$122,156,000 (2017: HK$Nil) have been pledged as security for the Group's loan from a related party (note 33(e)) amounted to HK$60,000,000 (2017: HK$Nil).

27. DERIVATIVE FINANCIAL ASSETS

	Note	2018 *HK$'000*	2017 *HK$'000*
Non-current:			
Financial assets			
Put option	*(a)*	3,138	6,835

(a) As a part of the consideration for the acquisition of Yue Jin Asia and its subsidiaries (collectively referred to as "Yue Jin Asia Group"), the Group shall have the option (the "Put Option") to, at the Group's discretion, sell the Option Shares (as defined below) to the seller of Yue Jin Asia at any time within 5 calendar years from 28 December 2016 upon the Shenzhen Dapeng New District Management Committee or any other relevant governmental authority enforcing its rights under the Operation Entrustment Agreement for any breach of the Operation Entrustment Agreement by any member of the Yue Jin Asia Group before 28 December 2016 at the Option Share Price (as defined below).

The consideration for the Option Shares ("Option Share Price") shall be the higher of (i) the cash equivalent of the sum of (a) the amount paid in cash by the Group to the seller of Yue Jin Asia and (b) the value of all the consideration shares issued by the Company to the seller of Yue Jin Asia as at the date when the Put Option is exercised; or (ii) the fair market value of the Option Shares to be determined by an independent valuer as at the date when the Put Option is exercised.

27. DERIVATIVE FINANCIAL ASSETS *(Continued)*

(a) *(Continued)*

Where:

Option Shares means all of the issued shares in the capital of Yue Jin Asia as at the completion date of the sale and purchase of the issued shares in the capital of Yue Jin Asia after exercise of the Put Option.

As at 31 December 2018, the Put Option was stated at fair value based on the valuation performed by Valtech Valuation Advisory Limited, an independent firm of professional valuer. The valuer conducted the valuation based on a profit forecast obtained from the Company (level 3 fair value measurements).

(b) On 31 December 2015, the Group acquired the entire issued share capital of Kingworld Holdings for a consideration of HK$450,000,000, of which HK$300,500,000 was settled in cash and HK$149,500,000 was settled by the Company's shares. Kingworld Holdings, through Kingworld Beijing, is principally engaged in distributing, selling, developing and investing in internet and mobile interaction entertainment products. With the acquisition the Group has been putting emphasis on the development of its mobile and web-game business.

Pursuant to the sale and purchase agreement, the vendor undertakes to that the aggregate of the audited consolidated net profit of Kingworld Holdings and its subsidiaries (collectively referred to as "Kingworld Group") for the year ended 31 December 2016 (the "2016 Net Profit") shall not be less than RMB60,000,000 (equivalent to HK$76,086,000, the "Guaranteed Amount"). In the event that the 2016 Net Profit is less than RMB60,000,000, an adjustment amount calculated at six times of the shortfall of the 2016 Net Profit and the Guaranteed Amount (the "Adjustment Amount") will be paid by the vendor in cash. In the event that the 2016 Net Profit is equal to or more than RMB60,000,000, no adjustment amount shall be payable by the vendor.

As a part of the consideration for the acquisition of Kingworld Group which was completed on 31 December 2015, the contingent consideration receivable is obtained. The contingent consideration receivable represents the right to the return of previously transferred consideration for the acquisitions of Kingworld Holdings with reference to the financial performance of Kingworld Group for the year ended 31 December 2016 and hence constitutes a contingent consideration arrangement.

According to the formula set out above, the final Adjustment Amount is approximately HK$275,225,000.

27. DERIVATIVE FINANCIAL ASSETS *(Continued)*

(b) *(Continued)*

Pursuant to the second supplemental agreement dated 27 February 2017 (the "Second Supplemental Agreement"), Xu Rong, Zhou Xu and the vendor have agreed to jointly pay the Adjustment Amount in cash to the Company in 5 tranches according to the payment schedule as follows:

1st tranche: RMB80,000,000 (HK$91,520,000) before 15 March 2017

2nd tranche: RMB40,000,000 (HK$45,760,000) before 15 May 2017

3rd tranche: RMB40,000,000 (HK$45,760,000) before 15 July 2017

4th tranche: RMB40,000,000 (HK$45,760,000) before 15 September 2017

5th tranche: RMB44,865,838 (HK$51,326,519) before 15 November 2017

Nonetheless, Xu, Zhou and the Seller have failed to pay all the tranches of the Adjustment Amount by the deadlines stipulated above.

Further, a daily interest accrues at a rate of 5/10000 from the date of when the outstanding tranche payment first became due (i.e. 15 March 2017) until the Adjustment Amount shall be paid in full as damages payable by Xu Rong, Zhou Xu and the vendor to the Company. Xu Rong, Zhou Xu and the vendor shall also pay to the Company all the costs and expenses incurred by the Company in relation to the enforcement of the Adjustment Amount and all other economic loss suffered by the Company arising out of the non-payment of the Adjustment Amount in full.

As at 31 December 2017, the fair value of the Adjustment Amount and the relevant interest receivable totally amounted to approximately HK$284,458,000 (Adjustment Amount of HK$275,225,000 and interest of HK$9,233,000), which are considered irrecoverable in view of the default of payment as mentioned above.

Movement of the contingent consideration receivable during the year ended 31 December 2017 is set out as follows:

	HK$'000
Balance as at 1 January 2017	45,841
Transferred to other receivable	(45,841)
	–

27. DERIVATIVE FINANCIAL ASSETS *(Continued)*

(b) *(Continued)*

In 2017, the Group applied court order and the court granted the Group with the right to freeze certain assets of Xu Rong and Zhou Xu amounted to RMB30,000,000 (equivalent to HK$36,060,000). Further legal proceedings for additional sum of Adjustment Amount and interest will be initiated against the Xu Rong and Zhou Xu dependent upon the relevant future development of the legal action.

On 7 December 2018, the Company and Baoxin Holdings, among others, have entered into a settlement agreement (the "Settlement Agreement") in relation to the recovery of the 1st tranche of the Adjustment Amount under the Second Supplemental Agreement as being subject to the Legal Action. The Settlement Agreement shall be filed to the Court within five (5) days from the date of the Settlement Agreement for the issuance of a mediation agreement by the Court (the "Mediation Agreement"). Pursuant to the Settlement Agreement, the total settlement sum of RMB110,000,000 shall be paid by four installments according to the payment schedule as follows:

1st installment: RMB40,000,000 on or before 31 December 2018

2nd installment: RMB40,000,000 on or before 31 December 2019

3rd installment: RMB15,000,000 on or before 31 December 2020

4th installment: RMB15,000,000 on or before 31 December 2021

As at 31 December 2018, Xu Rong, Zhou Xu and the vendor failed to pay the 1st installment by the deadline. Accordingly, the 1st installment, the 2nd installment, the 3rd installment and the 4th installment are considered irrecoverable in view of the default of payments. Therefore, the total settlement amount of RMB110,000,000 has not been recognised in the consolidated financial statements.

Details are set out in announcement of the Company dated 7 December 2018.

28. INVENTORIES

	2018 *HK$'000*	2017 *HK$'000*
Properties under development	**6,287,130**	2,306,317
Properties held for sale	**125,636**	—
	6,412,766	2,306,317

The amount of properties for sale under development expected to be recovered after more than one year is approximately HK$5,903,366,000.

As at 31 December 2018, the carrying amount of properties for sale under development amounting to approximately HK$1,760,400,000 (2017: HK$Nil) are pledged as security for bank loans granted to the Group.

As at 31 December 2018, the carrying amount of properties for sale under development amounting to approximately HK$74,751,000 (2017: HK$Nil) are pledged for provision of financial guarantees to associated party of a non-controlling equity holder of a subsidiary *(note 37)*.

As at 31 December 2018, the carrying amount of properties for sale under development amounting to approximately HK$170,868,000 (2017: HK$Nil) are pledged for provision of financial guarantees to associated party of a former equity holder of a subsidiary *(note 37)*.

29. CONTRACT ASSETS (2017: GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK)

	2017
	HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	648,822
Less: Progress billings	—
	648,822
Gross amount due from customers for contract work	648,822

Upon the adoption of HKFRS 15, amounts previously included as "Gross amount due from customers for contract work" was reclassified to contract assets.

Contract assets	**31 December 2018**	1 January 2018	31 December 2017
	HK$'000	*HK$'000*	*HK$'000*
Arising from performance under construction contracts	**276,872**	648,822	—

	2018	2017
	HK$'000	*HK$'000*
Receivables from contracts with customers within the scope of HKFRS 15 which are included in "Trade and other receivables"	**151,327**	—

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones.

During the year, the Group has received payments from customers of approximately HK$267,665,000 and recognised revenue from construction contracts of approximately HK$84,279,000.

The amount of contract assets that is expected to be recovered after more than one year is HK$276,872,000 (2017: HK$206,655,000).

30. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	230,109	38,979
Allowance for doubtful debts	(3,117)	—
	226,992	38,979
Other receivables	120,791	19,698
Interest receivable	2,937	3,518
Loan receivables *(note (a))*	—	340,684
Compensation receivables *(note (b))*	36,448	78,130
Consideration receivables *(note (c))*	3,518	41,170
Other deposits	67,144	16,606
Prepayments	66,826	19,814
Other tax assets	97,431	539
Total trade and other receivables	622,087	559,138

Note:

(a) As at 31 December 2017, included in loan receivables an amount of HK$216,360,000 is unsecured, bearing interest at a rate of 12.5% per annum and repayable within one year. The amount was settled in full in January 2018.

The remaining balance of HK$124,324,000, which is due from a non-controlling equity holder of a subsidiary, is secured by the right to receive dividends from the subsidiary, bearing interest at rates ranged from 5% to 25% per annum and repayable within one year. The amount was settled in full in September 2018.

(b) Compensation receivable from a main contractor of a property project was made in accordance with the contract entered into with the main contractor.

(c) As at 31 December 2018, consideration receivable represents the balance of the consideration in connection with the disposal of financial assets at FVTOCI in the PRC with a cost of HK$13,222,000.

As at 31 December 2017, consideration receivable represents the balance of the consideration in connection with the disposal of Heroic Coronet Limited ("Heroic Coronet"). The amount was entirely settled in February 2018.

(d) Included in trade receivables of an amount HK$4,997,000 is receivable from a related party which are unsecured and non-interest bearing with a credit period of 15 days.

30. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group generally allows an average credit period of 120 days (2017: 120 days) for its game distribution platforms, 90 days (2017: 90 days) for its game development customers, 2 days (2017: Nil) for sales of properties, 30 days (2017: 30 days) for its advertising customers, 30 days (2017: 30 days) for operation of a yacht club and 30 days (2017: 30 days) for provision of education services, 30 days (2017: 30 days) for its tenants.

The aging analysis of trade receivables presented based on dates on which revenue was recognised, and net of allowance, is as follows:

	2018 HK$'000	2017 HK$'000
0-30 days	175,027	12,196
31-60 days	38,769	14,851
61-90 days	995	702
91-180 days	7,809	11,230
181-360 days	4,392	—
	226,992	38,979

The carrying amounts of the Group's trade receivables are denominated in RMB.

31. FINANCIAL ASSETS AT FVTPL

	2018 HK$'000	2017 HK$'000
Equity securities, at fair value		
Listed in Hong Kong	–	238,416
Listed outside Hong Kong	–	24,917
	–	263,333
Analysed as:		
Current assets	–	263,333
Non-current assets	–	—
	–	263,333

At 31 December 2018, listed equity securities with an aggregate carrying amount of HK$Nil (2017: HK$124,200,000) have been pledged as security for the Group's other borrowings (note 33(c)) amounted to HK$Nil (2017: HK$75,380,000).

32. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure notes payable granted to the Group as set out in note 33(d) to the consolidated financial statements.

As at 31 December 2018, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$744,221,000 (2017: approximately HK$127,322,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

33. BORROWINGS

		2018		2017	
		Current	**Non-current**	Current	Non-current
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Secured					
Bank loans	*(a)*	**130,985**	**372,453**	–	–
Notes payable	*(d)*	**216,410**	**–**	–	–
Other borrowings	*(c)*	**–**	**–**	75,380	–
Loans from a related party *(note 49(a))*	*(e)*	**60,000**	**–**	–	–
		407,395	**372,453**	75,380	–
Unsecured					
Bank loans	*(a)*	**22,780**	**–**	–	–
Corporate bonds	*(b)*	**497,500**	**–**	137,126	–
Other borrowings	*(c)*	**3,467,126**	**–**	1,280,151	–
Loans from a related party *(note 49(a))*	*(e)*	**60,481**	**–**	–	–
		4,047,887	**–**	1,417,277	–
		4,455,282	**372,453**	1,492,657	–

The borrowings are repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**4,455,282**	1,492,657
More than one year, but not exceeding two years	**372,453**	–
	4,827,735	1,492,657
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(4,455,282)**	(1,492,657)
Amount due for settlement after 12 months	**372,453**	–

33. BORROWINGS *(Continued)*

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	HK$ HK$'000	RMB HK$'000	Total HK$'000
2018			
Bank loans	—	526,218	526,218
Corporate bonds	497,500	—	497,500
Other borrowings	—	3,467,126	3,467,126
Loans from related parties	60,000	60,481	120,481
Notes payable	—	216,410	216,410
	557,500	4,270,235	4,827,735

	HK$ HK$'000	RMB HK$'000	Total HK$'000
2017			
Corporate bonds	137,126	—	137,126
Other borrowings	75,380	1,280,151	1,355,531
	212,506	1,280,151	1,492,657

The range of effective interest rates at 31 December were as follows:

	2018	2017
Bank loans	7.83% — 8.50%	—
Corporate bonds	10.26%	13.38%
Other borrowings	Nil% — 27.00%	4.79% — 23.40%
Loans from related parties	Nil% — 16.00%	—
Notes payables	Nil%	—

The borrowings are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

33. BORROWINGS *(Continued)*

(a) As at 31 December 2018, included in bank loans of HK$526,218,000, an amount of HK$375,870,000 is secured by a share charge over the entire issued capital of a wholly-owned subsidiary and the Group's inventories (note 28), which is interest bearing at 8.50%; HK$3,417,000 is repayable within 1 year and the remaining balance is repayable on 24 December 2020; and HK$127,568,000 is secured by a charge over the Group's investment properties (note 21), bearing an interest at 7.83% and repayable within 1 year.

The remaining balance of HK$22,780,000 is unsecured, bearing an interest at 8% and repayable within 1 year.

(b) On 21 May 2018, the Group issued corporate bonds at a nominal value of HK$500,000,000, which is unsecured, bearing interest at a rate of 10% per annum with maturity on 21 May 2019.

On 15 June 2017, the Group issued corporate bonds at a nominal value of HK$130,000,000, which is unsecured, bearing interest at a rate of 12% per annum with maturity on 14 June 2018.

(c) As at 31 December 2018, HK$3,467,126,000 of other borrowings is unsecured and repayable within 1 year, of which HK$159,460,000 is bearing an interest at 4.79%, HK$615,368,000 is bearing at 24.00%, HK$271,450,000 is bearing at 6.00%, HK$182,240,000 is bearing at 30.00%, HK$398,650,000 is bearing at 15.00%, HK$56,950,000 is bearing at 10.00%, HK$251,628,000 is bearing at 9.67%, HK$72,030,000 is bearing at 12.00%. The remaining balance of HK$1,459,350,000 is unsecured, interest-free and repayable on demand.

As at 31 December 2017, included in other borrowings an amount of HK$75,380,000 is secured by listed equity securities included in financial assets at FVTPL amounted to HK$124,200,000 (note 31), HK$1,280,151,000 is unsecured, of which HK$168,535,000 is bearing an interest at 4.79%, HK$192,320,000 is bearing at 30.00%, HK$449,548,000 is bearing at 24.00%, HK$240,400,000 is bearing at 21.60%, HK$1,809,000 is bearing at 15.00% and repayable within 1 year, the remaining balance of HK$227,539,000 is unsecured, interest-free and repayable on demand.

(d) At 31 December 2018, the Group has utilised HK$216,410,000 of notes payable which is secured by a charge over the pledged bank deposits amounted to HK$250,000,000 (note 32), interest-free and repayable on 6 September 2019.

(e) As at 31 December 2018, HK$120,481,000 of loans from related parties are repayable within 1 year, of which HK$60,000,000 is bearing an interest at 10.00% per annum, and secured by listed equity securities included in FVTOCI amounted to HK$122,156,000 (note 26), and HK$39,865,000 is unsecured, bearing an interest at 16.00% per annum. The remaining balance of HK$20,616,000 is interest-free and repayable on demand.

34. CONVERTIBLE BONDS

On 22 June 2015 (the "Issue Date 1"), the Group issued convertible bonds with a nominal value of HK$200,000,000 (the "Convertible Bonds 1"). The bonds are convertible at the option of the bondholders into fully paid ordinary shares with HK$0.0025 each of the Company (the "Conversion Shares 1") at an initial conversion price of HK$0.25 per share after share subdivision became effective on 16 September 2015 at any time during the period commencing from 2 October 2015 up to and including the 7th day immediately preceding 21 June 2017 (the "Maturity Date 1"). Based on the initial conversion price of HK$0.25 per Conversion Shares 1, a maximum number of 800,000,000 Conversion Shares 1 after share subdivision became effective on 16 September 2015 will be allotted and issued upon the exercise of the conversion rights.

The Convertible Bonds 1 bear interest at the following interest rate on the principal amount of the Convertible Bonds 1:

(i) in respect of the one-year period commencing from and including the Issue Date 1 to and including the last day of such period (the "Interest Payment Date"), 5% per annum;

(ii) in respect of the one-year period commencing from and including the next calendar day of the Interest Payment Date to and including the Maturity Date 1, 15% per annum.

Convertible Bonds 1 shall not be redeemed (in whole or in part) at the option of the Company commencing from the date of issue of the Convertible Bonds 1 up to and including the day immediately before the Maturity Date 1. On and before the 5th business day after the Interest Payment Date, the bondholders may notify and require the Company to, and the Company then shall, no later than the close of business in Hong Kong on the 15th business day after such notification, redeem Convertible Bonds 1 in whole or in part at a price equivalent to 100% of the principal amount of the Convertible Bonds 1 so redeemed together with the interest accrued but unpaid.

The net proceeds received from the issue of the Convertible Bonds 1 have been split between the liability elements and equity components as follows:

	Convertible Bonds 1 *HK$'000*
Liability component at 1 January 2017	200,596
Interest charged	17,904
Interest paid	(18,500)
Redeemed during the year	(200,000)
Liability component at 31 December 2017	—
Equity component at 1 January 2017	25,127
Redeemed during the year	(25,127)
Equity component at 31 December 2017	—

The interest charged for the year is calculated by applying an effective interest rate of 18.15% to the liability component of the Convertible Bonds 1 for the 24-month periods since the Convertible Bonds 1 were issued.

35. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**1,242,553**	364,878
Trade payables to a related party *(notes (a) and 49(a))*	**5,695**	—
Wages and salaries payables	**47,745**	20,846
Accruals	**5,504**	12,422
Other tax liabilities	**21,020**	7,518
Interest payables	**302,480**	—
Interest payables to a related party *(notes (b) and 49(a))*	**29**	—
Secured deposits from contractors	**302,104**	—
Other payables	**127,313**	146,565
Other payables to related parties *(note (c) and 49 (a))*	**229**	—
	2,054,672	552,229

(a) Trade payables to a related party is unsecured, non-interest bearing with a credit period of 7 days.

(b) Interest payables to a related party is unsecured, non-interest bearing, and repayable on demand.

(c) Other payables to related parties are unsecured, non-interest bearing, and repayable on demand.

The average credit period of trade payables in relation to provision of online game services and outsourcing game development services is 15 days; the credit period of trade payables in relation to provision of real estates and property investment is ranged from 7 – 30 days.

The following is an aged analysis of trade payables based on invoice dates at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
0-30 days	**1,007,890**	207,029
31-60 days	**13,408**	—
61-90 days	**647**	—
91-180 days	**8,103**	—
181-360 days	**218,200**	157,849
	1,248,248	364,878

35. TRADE AND OTHER PAYABLES *(Continued)*

The trade and other payables of the Group denominated in foreign currency at the end of the reporting period are as follows:

	2018 *HK$'000*	2017 *HK$'000*
RMB	**2,047,883**	547,341

36. CONTRACT LIABILITIES (2017: RECEIPTS IN ADVANCE)

Contract liabilities (2017: Receipts in advance) represent sales proceeds received from purchasers in connection with the Group's pre-sales of properties.

37. FINANCIAL GUARANTEES

	2018 *HK$'000*	2017 *HK$'000*
Fair value of financial guarantees	**60,831**	—

(a) At 31 December 2018, the Group has issued certain guarantees of HK$33,956,000 (2017: HK$Nil) to banks in respect of banking facilities granted to an associated party of the former equity holder of a subsidiary. Under the guarantees, the Group and the associated party of the former equity holder of a subsidiary are jointly and severally liable for all or any of the borrowings of each of them from the banks upon failure of the guaranteed entity to make payments when due. The financial guarantee contract is expiring in 27 months.

The maximum liability of the Group at 31 December 2018 under the guarantees is the amount of bank loans drawn under the guarantees at that date of HK$339,000,000 (2017: HK$Nil).

(b) At 31 December 2018, the Group has issued certain guarantees of HK$26,875,000 (2017: HK$Nil) to some banks in respect of banking facilities granted to the associated parties of a non-controlling equity holder. Under the guarantees, the Group and the associated parties of a non-controlling equity holder are jointly and severally liable for all or any of the borrowings of each of them from the banks upon failure of the guaranteed entity to make payments when due. The financial guarantee contracts are expiring from 18 to 45 months.

The maximum liability of the Group at 31 December 2018 under guarantees is the amount of bank loans drawn under the guarantees at that date of HK$119,026,000 (2017: HK$Nil).

The carrying amount of financial guarantee contracts are analysed as follows:

	2018 *HK$'000*	2017 *HK$'000*
Non-current portion	**60,831**	—

38. CONSIDERATION PAYABLE

The consideration payable in relation to the Operating Right (note 23) is set out as follows:

	HK$'000
Acquisition of subsidiaries	**91,010**
Imputed interest charged	**14,105**
Exchange differences	**7,382**
At 31 December 2017 and 1 January 2018	**112,497**
Imputed interest charged	**14,409**
Exchange differences	**(6,432)**
At 31 December 2018	**120,474**

Pursuant to the Operation Entrustment Agreement, the consideration payable at initial amount of RMB392,500,000 (equivalent to HK$471,785,000) will be settled by 10 equal annual instalments of RMB39,250,000 (equivalent to HK$47,179,000) each from the eleventh year of the date on which the assets were transferred. The transfer of assets was completed on 11 March 2015.

The imputed interest charged for the year is calculated by applying effective interest rate of 13.04%.

39. CONTINGENT CONSIDERATION PAYABLE

The carrying amounts of the Group's contingent consideration payable related to the acquisition of Yue Jin Asia in 2016.

The Consideration Adjustment shall be reduced to the Retained Shares in relation to the acquisition of Yue Jin Asia with reference to the financial performance of Yue Jin Asia for the year ended 31 December 2018 and hence constitute a contingent consideration arrangement.

As the financial performance of Yue Jin Asia for the year ended 31 December 2018 achieved the profit guarantee, the Retained Shares would be issued in accordance with sale and purchase agreement. Therefore, the fair value of contingent consideration payables is determined based on the number of Retained Shares and the Company's share price as at 31 December 2018.

40. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group:

	Deferred tax liabilities						Deferred tax assets		
	Distributable profit of the PRC subsidiaries	Other intangible assets	Inventories	Investment properties	Property, plant and equipment	Total	Financial guarantee contract	Taxes Losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	3,120	99,424	–	–	–	102,544	–	(24,244)	(24,244)
Acquisition of a subsidiary *(note 45(f))*	–	–	205,769	–	–	205,769	–	(4,829)	(4,829)
Credit to profit or loss for the year	–	(3,829)	–	–	–	(3,829)	–	(2,165)	(2,165)
Disposal of a subsidiary *(note 45(e)(iii))*	(3,120)	–	–	–	–	(3,120)	–	–	–
Exchange differences	–	7,151	4,192	–	–	11,343	–	(2,004)	(2,004)
At 31 December 2017 And 1 January 2018	–	102,746	209,961	–	–	312,707	–	(33,242)	(33,242)
Acquisition of subsidiaries *(note 45(a), (b) & (c))*	–	–	175,514	281,747	477	457,738	(34,933)	–	(34,933)
Charge/(credit) to profit or loss for the year	–	1,213	(16,855)	50,697	–	35,055	18,279	(1,236)	17,043
Exchange differences	–	(4,952)	(20,002)	(3,438)	(32)	(28,424)	1,447	1,788	3,235
At 31 December 2018	–	99,007	348,618	329,006	445	777,076	(15,207)	(32,690)	(47,897)

At the end of the reporting period, the Group had unused tax losses of approximately HK$180,258,000 (2017: approximately HK$163,195,000) available for offset against future profits. A deferred tax assets have been recognised in respect of HK$130,760,000 for the year (2017: HK$132,966,000) of such loss. No deferred tax asset has been recognised in respect of remaining approximately HK$49,498,000 (2017: approximately HK$30,229,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$Nil (2017: HK$Nil), HK$Nil (2017: HK$Nil), HK$2,443,000 (2017: HK$2,503,000), HK$27,270,000 (2017: HK$27,726,000) and HK$19,785,000 (2017: HK$Nil) that will expire in 2019, 2020, 2021, 2022 and 2023 respectively.

Pursuant to relevant laws and regulations in the PRC, withholding tax is imposed at 10% on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised is HK$495,462,000 (2017: HK$181,693,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

41. SHARE CAPITAL

	Note	2018 Number of shares '000	2018 HK$'000	2017 Number of shares '000	2017 HK$'000
Authorised:					
Ordinary shares of HK$0.05 each					
At 1 January		**4,000,000**	**200,000**	80,000,000	200,000
Consolidation of shares	*(a)*	**—**	**—**	(76,000,000)	—
Increase in capital	*(b)*	**4,000,000**	**200,000**	—	—
At 31 December		**8,000,000**	**400,000**	4,000,000	200,000
Issued and fully paid:					
Ordinary shares of HK$0.05 each					
At 1 January		**2,043,128**	**102,156**	34,052,135	85,130
Consolidation of shares	*(a)*	**—**	**—**	(32,349,528)	—
Shares issued on placement	*(c)*	**1,634,502**	**81,725**	—	—
Shares issued on subscription	*(d)*	**408,626**	**20,432**	340,521	17,026
Shares repurchased and cancelled	*(e)*	**(26,700)**	**(1,335)**	—	—
At 31 December		**4,059,556**	**202,978**	2,043,128	102,156

(a) Pursuant to an ordinary resolution passed on 21 December 2017, twenty ordinary shares of HK$0.0025 each in issue and unissued share capital of the Company were consolidated into one ordinary share of HK$0.05 each in the issued and unissued share capital of the Company with effective on 21 December 2017.

(b) Pursuant to an ordinary resolution passed on 23 February 2018, the authorised ordinary shares of the Company increased from HK$200,000,000 divided into 4,000,000,000 ordinary shares of HK$0.05 each to HK$400,000,000 divided into 8,000,000,000 ordinary shares of HK$0.05 each by the creation of additional 4,000,000,000 ordinary shares of HK$0.05 each with effective on 23 February 2018.

(c) On 10 January 2018, the Company entered into a placing agreement with a placing agent in respect of the issue and allotment of 1,634,502,485 ordinary shares of HK$0.05 each to independent placees at the placing price of HK$0.50 per share. The placement was completed on 20 March 2018 and the premium on the issue of shares, amounting to approximately HK$731,377,000, net of related transaction costs of HK$4,149,000, was credited to the Company's share premium account. The Company issued and allotted 1,634,502,485 new shares on 20 March 2018.

41. SHARE CAPITAL *(Continued)*

(d) On 21 December 2017, the Company entered into a subscription agreement in respect of the issue and allotment of 340,521,000 ordinary shares of HK$0.05 each to an investor at a subscription price of HK$0.55 per share. The subscription was completed on 21 December 2017 and the premium on the issue of shares, amounting to approximately HK$170,261,000 was credited to the Company's share premium account. The Company issued and allotted 340,521,000 new shares on 21 December 2017.

On 10 January 2018, the Company entered into a subscription agreement in respect of the issue and allotment of 408,625,621 ordinary shares of HK$0.05 each to an investor at a subscription price of HK$0.50 per share. The subscription was completed on 20 March 2018 and the premium on the issue of shares, amounting to approximately HK$183,881,000 was credited to the Company's share premium account. The Company issued and allotted 408,625,621 new shares on 20 March 2018.

(e) The Company repurchased and cancelled 10,750,000 and 15,950,000 of its own shares through purchases on the Stock Exchange in November 2018 and December 2018 respectively.

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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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

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

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises borrowings and convertible bonds. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) except for non-controlling interests.

41. SHARE CAPITAL *(Continued)*

The debt-to-adjusted capital ratios at 31 December 2018 and at 31 December 2017 were as follows:

	2018	2017
	HK$'000	*HK$'000*
Total debt (Borrowings)	**4,827,735**	1,492,657
Less: cash and cash equivalents	**(758,316)**	(327,249)
Net debt	**4,069,419**	1,165,408
Adjusted capital	**2,760,603**	1,759,462
Debt-to-adjusted capital ratio	**147%**	66%

The change in the debt-to-adjusted capital ratio during 2018 resulted primarily from the increase of total debt which outraced the increase in cash and cash equivalents.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

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

(a) Statement of financial position of the Company

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Investments in subsidiaries		*	171,807
Current assets			
Other receivables		3,507	40,176
Amounts due from subsidiaries		3,310,909	1,961,985
Bank and cash balances		12,250	188,695
		3,326,666	2,190,856
Current liabilities			
Borrowings		497,500	137,127
Other payables		6,714	4,871
Amounts due to subsidiaries		42,712	144,418
Contingent consideration payable		56,855	—
		603,781	286,416
Net current assets		2,722,885	1,904,440
Total assets less current liabilities		2,722,885	2,076,247
Non-current liabilities			
Contingent consideration payable		—	94,000
NET ASSETS		2,722,885	1,982,247
Capital and reserves			
Share capital		202,978	102,156
Reserves	42(b)	2,519,907	1,880,091
TOTAL EQUITY		2,722,885	1,982,247

* represented balance less than HK$'000

Approved by the Board of Directors on 27 March 2019 and are signed on its behalf by:

Zhang Xiaodong	**Xia Lingjie**
Director	*Director*

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Shares premium	Share redemption reserve	Convertible bonds reserve	Contributed surplus	Shareholder's contribution	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 43(b)(i))	*(note 43(b)(ii))*	*(note 43(b)(vi))*	*(note (a))*	*(note (b))*	*(note 43(b)(ix))*		
At 1 January 2017	1,919,761	2,269	25,127	29,412	1,392	18,274	(719,499)	1,276,736
Redemption of convertible bonds *(note 34)*	–	–	(25,127)	–	–	–	25,127	–
Transfer of share options reserve upon lapse of share options	–	–	–	–	–	(18,274)	18,274	–
Issue of shares on subscription	170,261	–	–	–	–	–	–	170,261
Total comprehensive income for the year	–	–	–	–	–	–	433,094	433,094
At 31 December 2017	2,090,022	2,269	–	29,412	1,392	–	(243,004)	1,880,091
At 1 January 2018	**2,090,022**	**2,269**	**–**	**29,412**	**1,392**	**–**	**(243,004)**	**1,880,091**
Issue of shares on placement	**731,377**	**–**	**–**	**–**	**–**	**–**	**–**	**731,377**
Issue of shares on subscription	**183,881**	**–**	**–**	**–**	**–**	**–**	**–**	**183,881**
Repurchase and cancellation of shares	**(7,258)**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,258)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(268,184)**	**(268,184)**
At 31 December 2018	**2,998,022**	**2,269**	**–**	**29,412**	**1,392**	**–**	**(511,188)**	**2,519,907**

Note:

(a) The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired by the Company pursuant to a group reorganisation and the nominal value of the ordinary shares issued by the Company in exchange thereof.

(b) The shareholder's contribution of the Company represents contribution from the intermediate holding company for cancellation of the Company's share options in 2012.

43. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) The share redemption reserve represents the aggregate amount of the share capital and share premium in relation to the repurchase of the Company's own equity instruments.

(iii) The capital reserve of the Group represents the difference of the paid-in capital of the subsidiaries acquired by the Company pursuant to a group reorganisation and the nominal value of the ordinary shares issued by the Company in exchange thereof.

(iv) The other reserve of the Group represents the capitalisation of general reserve fund and enterprise expansion fund in SinoCom Beijing as share capital of SinoCom Beijing in year 2003.

(v) In accordance with the laws and regulations in the PRC, PRC subsidiaries of the Company are required to set aside 10% of their net profits, prepared in accordance with generally accepted accounting principles in the PRC, to the general reserve funds until the funds aggregate to 50% of their registered capital. In accordance with their articles of association, PRC subsidiaries of the Company may transfer such amount of profits (after taxation) as determined by their board of directors of the PRC subsidiaries to the general reserve fund before distribution to their shareholders. The general reserve fund is non-distributable and can be used to increase the capital of the PRC subsidiaries. The general reserve fund can also be used to make good future losses.

(vi) The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 4(s) to the consolidated financial statements.

(vii) The shareholder's contribution of the Group represents waiver of an amount due to a shareholder of the Company in 2001 and the contribution from the intermediate holding company for cancellation of the Company's share options in 2012.

(viii) The translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the consolidated financial statements.

43. RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(ix) The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(y) to the consolidated financial statements.

(c) Development fund of schools

According to the relevant PRC laws and regulations, for private schools that requires for reasonable returns, it is required to appropriate to the development fund not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

44. SHARE-BASED PAYMENTS

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the employees, executives, officers and directors of the Company and the Company’s subsidiaries. The Scheme became effective on 2 April 2004 and was expired on 1 April 2014.

The Company terminated the Scheme and adopted a new share option scheme (the “New Scheme”) pursuant to a resolution passed in the annual general meeting dated 26 March 2014 which became effective on the same date. The New Scheme will remain in force for ten years commencing from the effective date. Any options granted under the Scheme prior to its termination continue to be valid and exercisable in accordance with the terms of issue and the rules of the Scheme.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 20 days from the date of the offer, upon payment of a nominal consideration of HK$10 in total or other amount as determined by the board of the Company by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the New Scheme, if earlier.

44. SHARE-BASED PAYMENTS *(Continued)*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

At 31 December 2018, the number of shares in respect of which options has been remained outstanding under the Scheme and New Scheme was Nil (2017: Nil).

Details of specific category of options are as follows:

Date of grant	Exercisable period	Exercise price before share subdivision	Exercise price after share subdivision
27/05/2015	30/10/2015-26/05/2025	HK$3.14	HK$0.314
27/05/2015	30/04/2016-26/05/2025	HK$3.14	HK$0.314

The exercise prices were adjusted for share subdivision became effective on 16 September 2015.

Options are lapsed if the employee leaves the Group and the relationship with consultants is ceased or terminated by the Group.

The following table discloses movements of the number of the Company's shares under options held by employees and consultants during the year ended 31 December 2017:

Date of grant	Outstanding at 1/1/2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31/12/2017
27/05/2015	200,000,000	—	—	(200,000,000)	—

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of Hunan Meilian

On 1 June 2018, a subsidiary of the Company acquired the 51% equity interests in Hunan Meilian for a cash consideration of RMB200,000,000 (equivalent to approximately HK$248,000,000) by capital injection to Hunan Meilian. Hunan Meilian is principally engaged in real estate and construction in the PRC. The acquisition is aim to expand the business to real estate projects by the Company.

The fair value of the identifiable assets and liabilities of Hunan Meilian acquired as at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	9,842
Investment properties	342,136
Prepayments	5,080
Equity investments at FVTOCI	11,612
Current tax assets	47,612
Inventories	1,685,605
Trade and other receivables	192,159
Bank and cash balances	23,367
Trade and other payables	(771,904)
Borrowings	(122,235)
Receipts in advance	(704,294)
Financial guarantees	(104,392)
Deferred tax liabilities	(179,658)
Net identifiable assets and liabilities	434,930
Capital injection as consideration	244,470
Non-controlling interests	(332,906)
Gain on bargain purchase	(102,024)
Capital injection by cash	244,470

Net cash inflow arising on acquisition:

Cash and cash equivalents acquired	23,367

The Group recognised a gain on bargain purchase of HK$102,024,000 in the business combination. The gain on bargain purchase arose as the seller was having difficulty financing the completion of Hunan Meilian's real estate projects and needed to raise new equity funding. The seller therefore was willing to offer favorable terms to the Group.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of Hunan Meilian *(Continued)*

The fair value of the trade and other receivables acquired is HK$192,159,000, none of which is expected to be uncollectible.

Hunan Meilian contributed revenue and a profit of approximately HK$559,268,000 and HK$46,088,000 to the Group's revenue and profit respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2018, total Group's revenue for the year would have been HK$1,892,368,000, and profit for the year would have been HK$153,130,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

(b) Acquisition of Yunfu Baoneng

On 27 June 2018, a subsidiary of the Company acquired the entire equity interests in Yunfu Baoneng for a cash consideration of RMB30,000,000 (equivalent to approximately HK$35,364,000). Yunfu Baoneng is principally engaged in real estate and construction in the PRC. The acquisition is aim to expand the business to real estate projects by the Company.

The fair value of the identifiable assets and liabilities of Yunfu Baoneng acquired as at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	702
Inventories	327,540
Trade and other receivables	751
Bank and cash balances	200
Trade and other payables	(3,629)
Borrowings	(269,030)
Financial guarantees	(35,340)
Deferred tax liabilities	(4,988)
Net identifiable assets and liabilities	16,206
Goodwill arising on acquisition	19,358
Satisfied by cash	35,564

Net cash outflow arising on acquisition:

Cash consideration paid	(35,564)
Cash and cash equivalents acquired	200
	(35,364)

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Acquisition of Yunfu Baoneng *(Continued)*

The fair value of the trade and other receivables acquired is HK$751,000, none of which is expected to be uncollectible.

The goodwill arising on the acquisition of Yunfu Baoneng is attributable to the anticipated profitability of the relevant property project and the anticipated future operating synergies from the combination.

Yunfu Baoneng contributed revenue and a profit of approximately HK$Nil and HK$149,000 to the Group's revenue and profit respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2018, total Group's revenue for the year would have been HK$1,892,396,000, and profit for the year would have been HK$162,137,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

(c) Acquisition of Micron Technology

On 8 November 2018, a subsidiary of the Company acquired the entire share capital in Micron Technology for a cash consideration of HK$180,000,000. Micron Technology is principally engaged in real estate and property investment in the PRC. The acquisition is aim to expand the business to real estate projects by the Group.

The fair value of the identifiable assets and liabilities of Micron Technology acquired as at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	430
Investment properties	1,344,444
Prepayments	3,031
Equity investments at FVTOCI	21,315
Inventories	980,746
Trade and other receivables	25,295
Bank and cash balances	5,491
Trade and other payables	(1,381,699)
Borrowings	(574,260)
Deferred tax liabilities	(238,159)
Net identifiable assets and liabilities	186,634
Gain on bargain purchase	(6,634)
Satisfied by cash	180,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(170,000)
Cash and cash equivalents acquired	5,491
	(164,509)

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Acquisition of Micron Technology *(Continued)*

At 31 December 2018, consideration of HK$170,000,000 has been paid to the vendor of Micron Technology. The balance of consideration of HK$10,000,000 has been recognised as a liability at 31 December 2018.

The fair value of the trade and other receivables acquired is HK$25,295,000, none of which is expected to be uncollectible.

The Group recognised a gain on bargain purchase of HK$6,634,000 in the business combination. The gain on bargain purchase arose mainly to an increase on the fair value of the investment properties under development at the acquisition date.

Micron Technology contributed revenue and a loss of approximately HK$Nil and HK$7,867,000 to the Group's revenue and profit respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2018, total Group's revenue for the year would have been HK$1,892,400,000, and profit for the year would have been HK$133,944,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

(d) Disposal of Yizheng Baoxin Property Company Limited (the "Yizheng Baoxin")

On 30 July 2018, the Group disposed of its entire equity interests in Yizheng Baoxin at a cash consideration of HK$1.

Net liabilities at the date of disposal were as follows:

	HK$'000
Other receivables	120,960
Bank and cash balances	125
Other payables	(121,144)
Net liability disposed of	(59)
Release of translation reserve	1
Release of non-controlling interests	25
Gain on disposal of Yizheng Baoxin	34
Total consideration satisfied by cash	*
Net cash outflow arising on disposal:	
Cash consideration received	*
Cash and cash equivalents disposed of	125
	(125)

* represents the balance less than HK$'000

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(e) Disposal of subsidiaries

(i) Disposal of Key Rich

On 1 March 2017, the Group disposed of its entire equity interests in Key Rich for a consideration of HK$2,000,000.

Net liabilities at the date of disposal were as follows:

	HK$'000
Bank and cash balances	115
Amount due to the Group	(117)
Net liabilities disposed of:	(2)
Release of translation reserve	9,835
Derecognition of goodwill	2,000
Assignment of amount due to the Group	3
Loss on disposal of subsidiaries	(9,836)
Total consideration	2,000

Net cash inflow arising on disposal:

Cash consideration received	2,000
Cash and cash equivalents disposed of	(115)
	1,885

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(e) Disposal of subsidiaries *(Continued)*

(ii) Disposal of SinoCom BVI

On 12 April 2017, the Group disposed of its entire equity interests in SinoCom BVI for a consideration of HK$1.

Net liabilities at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	1,005
Trade and other receivables	362
Current tax assets	958
Bank and cash balances	205
Amounts due from the Group	14
Other payables	(53,966)
Current tax liabilities	(16,809)
Net liabilities disposed of:	(68,231)
Release of translation reserve	(69,505)
Assignment of amounts due to the Group included in amount due from the Group	59
Gain on disposal of subsidiaries	137,677
Total consideration — satisfied by cash of HK$1	—
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(205)

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(e) Disposal of subsidiaries *(Continued)*

(iii) Disposal of Heroic Coronet

On 4 May 2017, the Group disposed of its entire equity interests in Heroic Coronet for a consideration of HK$75,000,000.

Net assets at the date of disposal were as follows:

	HK$'000
Other intangible assets	20,082
Trade and other receivables	33,538
Amounts due from the Group	11,723
Bank and cash balances	2,944
Trade and other payables	(16,181)
Deferred tax liabilities	(3,120)
Net assets disposed of:	48,986
Release of translation reserve	35,307
Non-controlling interests	(7,970)
Assignment of amounts due to the Group included in amount due from the Group	2,277
Loss on disposal of subsidiaries	(3,600)
Total consideration — satisfied by cash	75,000

Net cash inflow arising on disposal:

Cash consideration received	15,000
Cash and cash equivalents disposed of	(2,944)
	12,056

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(e) Disposal of subsidiaries *(Continued)*

(iv) Disposal of Baoxin Football

On 29 June 2017, the Group disposed of its 68% equity interests in Baoxin Football Club Co., Ltd. for a consideration of RMB8,440,000 (equivalent to approximately HK$9,655,000).

Net assets at the date of disposal were as follows:

	HK$'000
Bank and cash balances	4
Amount due to the Group	(4)
Net assets disposed of:	—
Release of translation reserve	623
Non-controlling interests	(22,370)
Gain on disposal of a subsidiary	31,402
Total consideration — satisfied by cash	9,655
Net cash inflow arising on disposal:	
Cash consideration received	9,655
Cash and cash equivalents disposed of	(4)
	9,651

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(f) Acquisition of Shenzhen Borui

On 17 November 2017, a subsidiary of the Company acquired the entire equity interests in Shenzhen Borui for a cash consideration of RMB950,000,000 (equivalent to approximately HK$1,119,100,000). Shenzhen Borui, through its subsidiaries, is principally engaged in real estate and construction in the PRC. The acquisition is aim to expand the business to real estate projects by the Company.

The fair value of the identifiable assets and liabilities of Shenzhen Borui and its subsidiaries acquired as at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	1,018
Available-for-sale financial assets	12,958
Deferred tax assets	4,829
Investment properties	345,154
Inventories	1,853,781
Prepayment, deposits and other receivables	391,191
Gross amount due from customer for contract work	635,867
Bank and cash balances	30,004
Trade and other payables	(1,250,348)
Current tax liabilities	(62,857)
Deferred tax liabilities	(205,769)
Net identifiable assets and liabilities	1,755,828
Non-controlling interests	(593,380)
Gain on bargain purchase	(43,348)
Satisfied by cash	1,119,100
Net cash outflow arising on acquisition:	
Cash consideration paid	(235,600)
Cash and cash equivalents acquired	30,004
	(205,596)

At 31 December 2017, consideration of RMB200,000,000 (equivalent to HK$235,600,000) has been paid to the vendor of Shenzhen Borui. The balance of consideration of RMB750,000,000 (equivalent to HK$901,500,000) has been recognised as a liability at 31 December 2017.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(f) Acquisition of Shenzhen Borui *(Continued)*

Gain on bargain purchase of HK$43,348,000 was recognised upon completion of the acquisition of Shenzhen Borui. The gain on bargain purchase was mainly due to increase in fair value of the real estate projects based on which the consideration was determined in relation to the acquisition.

The fair value of the prepayment, deposits and other receivables acquired is HK$391,191,000, none of which is expected to be uncollectible.

Shenzhen Borui and its subsidiaries (hereinafter collectively referred to as the "Borui Group") contributed revenue and a profit of approximately HK$Nil and HK$32,971,000 to the Group's revenue and profit respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 9 May 2017 (date of incorporation of Shenzhen Borui), total Group's turnover for the year would have been HK$191,519,000, and profit for the year would have been HK$122,163,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 9 May 2017, nor is intended to be a projection of future results.

(g) Reconciliation of liabilities arising from financing activities

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

	Borrowings *HK$'000*
At 1 January 2018	**1,492,657**
Financing cash flows	**2,689,731**
Acquisition of subsidiaries	**965,525**
Finance costs	**95,182**
Exchange differences	**(415,360)**
At 31 December 2018	**4,827,735**

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(g) Reconciliation of liabilities arising from financing activities *(Continued)*

	Borrowings	**Convertible bonds — Current**	**Total liabilities from financing activities**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017	127,851	200,000	327,851
Financing cash flows	353,886	(218,500)	135,386
Acquisition of subsidiaries	971,620	—	971,620
Finance costs	12,243	18,500	30,743
Exchange differences	27,057	—	27,057
At 31 December 2017	1,492,657	—	1,492,657

46. CONTINGENT LIABILITIES

As at 31 December 2018, the Group and the Company did not have any significant contingent liabilities (2017: Nil).

47. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for		
Property, plant and equipment	**—**	5,198
Inventories	**8,242,045**	3,195,951
	8,242,045	3,201,149

48. OPERATING LEASE COMMITMENTS

The Group as lessee:

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	6,983	4,383
In the second to fifth year inclusive	10,810	8,733
	17,793	13,116

Operating lease payments represent rentals payable by the Group for its office premises, motor vehicles and office equipment. Leases are negotiated and rentals are fixed for lease terms from one to three years.

The Group as lessor:

At 31 December 2018 the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018 HK$'000	2017 HK$'000
Within one year	9,433	1,982
In the second to fifth year inclusive	44,005	7,791
After five years	7,873	9,843
	61,311	19,616

49. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements.

(i) The Group had the following transactions with its related parties during the year:

	2018 *HK$'000*	2017 *HK$'000*
Interest expense and related charges paid to related companies	1,188	—
Rental paid to a related company	40	—
Service fees paid to related companies	2,287	—

(ii) The Group had the following balances with its related parties during the year:

	2018 *HK$'000*	2017 *HK$'000*
Trade receivables from related parties *(note 30(d))*	4,997	—
Trade payables to a related party *(note 35)*	(5,695)	—
Interest payables to related companies *(note 35)*	(29)	—
Other payables to related companies *(note 35)*	(229)	—
Loans from related parties *(note 33)*	(120,481)	—

A director, Mr. Yao Jianhui, has significant influence over the related companies.

(b) The remuneration of directors of the Company and other members of key management during the period was as follows:

	2018 *HK$'000*	2017 *HK$'000*
Salaries and other benefits	3,836	3,204
Retirement benefits scheme contributions	104	112
	3,940	3,316

50. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in these consolidation financial statements, up to the date of this report, there is no significant event identified by the management subsequent to the reporting period.

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES

Location	Equity attributable to the Group	Approximate gross floor area *(square meters)*	Type	Lease term	Progress in development *(Notes)*	Estimated date of completion
Shantou Chaozhou Business Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	56.80%	44,179.00	Complex^	40 years	2	December 2020
Shantou Chaozhou Business Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	56.80%	4,055.00	Commercial (Club)	40 years	5	December 2020
Shantou Taisheng Science and Innovation Park Baoneng Time Bay, Junction between Jinwan Second West Street and Shangang Road, East New Habour City, Longhu District, Shantou	100.00%	288,133.72	Complex^	40 years	3	December 2021
Shantou Taisheng Science and Innovation Park Baoneng Time Bay, Junction between Jinwan Second West Street and Shangang Road, East New Habour City, Longhu District, Shantou	100.00%	7,416.85	Commercial (Bay Culture Centre)	40 years	5	January 2019
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	54.66%	37,461.00	Complex^	40 years	2	March 2021
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	54.66%	2,496.72	Kindergarten	40 years	2	March 2021
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	54.66%	3,379.28	Commercial (Hotel)	40 years	2	March 2021
Hunan Jinxiang International Star City Chaohui Road, Yuhua District, Changsha, Hunan	51.00%	438,965.00	Residential	46 years	2	September 2022
Hunan Jinxiang International Star City Chaohui Road, Yuhua District, Changsha, Hunan	51.00%	51,984.49	Residential	46 years	5	Completed
Hunan Jinxiang International Star City Chaohui Road, Yuhua District, Changsha, Hunan	51.00%	13,993.53	Commercial (Shops)	46 years	6	Completed
Shenyang Waterfront City No.299/301, Xijiang North Street, Yuhong District, Shenyang, Liaoning	100.00%	6,517.72	Residential	65 years	6	Completed

PARTICULARS OF PROPERTIES

Location	Equity attributable to the Group	Approximate gross floor area *(square meters)*	Type	Lease term	Progress in development *(Notes)*	Estimated date of completion
Shenyang Waterfront City No.305/307, Xijiang North Street, Yuhong District, Shenyang, Liaoning	100.00%	12,304.62	Commercial (Shops)	35 years	6	Completed
Hefei Time Original No.82, Baxia Road, Hefei Economic and Technological Development Area	100.00%	1,943.39	Commercial (Shops)	70 years	6	Completed
Hefei Lingxiang Time No.449, Huangshan Road, Shushan District, Hefei	100.00%	6,062.52	Commercial (Shops)	50 years	6	Completed
Ocean Towers 20A, 20H, Tower 5, District A, Phase 3, Ocean Towers, Seaworld, Nanshan District, Shenzhen	100.00%	176.56	Residential	60 years	6	Completed

**Note:*

1 Land leveling or preliminary preparation, 2 Groundwork, 3 Superstructure under way, 4 Internal decoration,
5 Completed and up for sale, 6 In service
^ Complex includes offices, stores and apartments

PARTICULARS OF PROPERTIES

PROPERTIES HELD FOR SALE

Location	Equity attributable to the Group	Approximate gross floor area *(square meters)*	Type	Lease term	Progress in development *(Notes*)*	Estimated date of completion
Changchun Baoneng Centre Jiefang Avenue North, Fengshun Street West, Chaoyang District, Changchun	70.42%	183,877.30	Commercial (Office)	40 years	2	December 2022
Weinan Baoneng Prosperity Mansion Southeast Point, Crossroads of Shuangwang Avenve (National Highway 310) and Weiqing Road, Linwei District, Weinan	60.00%	337,488.00	Residential & Commercial (Shops)	70 years	2	October 2022
Yunfu Baoneng Yuelan Mountain No.1, Zijing Road, Duyang Town, Yunan District, Yunfu	100.00%	211,245.00	Residential	70 years	1	November 2023
Shantou Chaozhou Business Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	56.80%	173,634.98	Complex^	40 years	2	December 2020
Shantou Taisheng Science and Innovation Park Baoneng Time Bay, Junction between Jinwan Second West Street and Shangang Road, East New Habour City, Longhu District, Shantou	100.00%	383,159.49	Complex^	40 years	3	December 2021
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	54.66%	29,242.15	Complex^	40 years	2	March 2021
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	54.66%	248,342.34	Residential	70 years	3	March 2021
Hunan Jinxiang International Star City Chaohui Road, Yuhua District, Changsha, Hunan	51.00%	438,965.00	Residential	46 years	2	September 2022
Hunan Jinxiang International Star City Chaohui Road, Yuhua District, Changsha, Hunan	51.00%	51,984.49	Residential	46 years	5	Completed
Hunan Jinxiang International Star City Chaohui Road and Northeast Point of Jiayu Road, Yuhua District, Changsha, Hunan	51.00%	22,064.98	Residential	46 years	6	Completed
Baoneng City Garden 32A, 16A, Block J, Tower 4, Baoneng City Garden, Liuxian Avenue North, Nanshan District, Shenzhen	100.00%	174.60	Residential	64 years	6	Completed

Note:

1 Land leveling or preliminary preparation, 2 Groundwork, 3 Superstructure under way, 4 Internal decoration,
5 Completed and up for sale, 6 In service

^ Complex includes offices, stores and apartments